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Egypt	E£1.00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT$95
France	Fr 8.00	Mexico	Pes. 300	Tunisia	Din 0.680
Germany	DM 2.20	Morocco	Dh 8.00	Turkey	L 218
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 8.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Reagan and Gorbachev face to face: round one, Page 16

World news | Business summary

Pakistan accuses India on N-bombs

President Zia ul-Haq of Pakistan accused India of having the nuclear capability of being able to strike "against anyone they like," despite repeated statements by Indian Premier Rajiv Gandhi that India has not reactivated its nuclear weapons programme since the early 1970s.

The Pakistani president stated publicly for the first time that he will retire as chief of army staff when the country's martial law is lifted at the end of next month.

He also appealed to the Soviet Union to reduce its military activities in Afghanistan so thet some of the country's estimated 3m refugees in Pakistan could return to their homes. Page 2

Rescue abandoned

US and Colombian helicopters began evacuating rescue workers from the mud-engulfed town of Armero, Colombia, and abandoned hope of finding more trapped survivors of the volcanic eruption that killed 22,000 people. Page 4

India faces storms

Heavy rain and gale-force winds whipped up by a cyclonic storm were expected to reach southern India's Tamil Nadu state and hamper rescue work after floods which killed 250 people.

Tidal wave fear

Swedish scientists said they monitored a strong earthquake registering 7.5 on the Richter scale, which they believed occurred off the southern Philippines. They said the quake might have set off a tidal wave.

UK industry appeal

The Confederation of British Industry called on the Chancellor of the Exchequer to earmark £1bn ($1.42bn) in his next year's budget to tackle unemployment, if necessary at the expense of tax cuts. Page 11

Danish boycott

The Danish Trade Union Federation announced a boycott of trade with South Africa in protest against Pretoria's apartheid policies. The boycott, which runs until January 31, will mainly affect coal.

Spanish air strike

Spanish air controllers are due to strike from midnight for more pay, a cut in working hours and better equipment.

Rome protest

Thousands of university and secondary-school students from all over Italy marched through Rome in protest against poor conditions and bad organisation in the country's education system. Page 3

Forty-four 'safe'

Forty-four people whose aircraft was hijacked to rebel-held western Uganda a week ago are safe and well but unable to cross to freedom in neighbouring Rwanda, according to diplomats in the Ugandan capital, Kampala.

Liberia accuses

Liberian military leader Samuel Doe accused Sierra Leone of direct involvement in last week's attempt to overthrow him in what might cause a serious diplomatic row between the two neighbouring west African states.

Lovers flee Berlin

A lorry driver smuggled an East German woman and her Turkish lover from East Berlin to Austria via Czechoslovakia in a removal van.

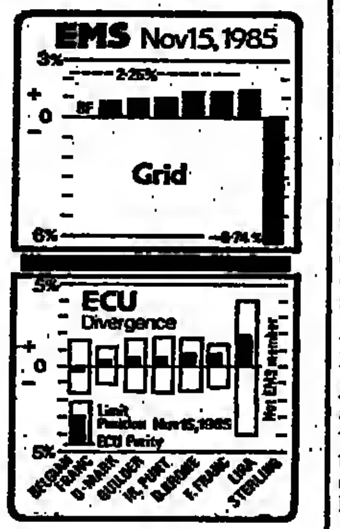
Lendl wins

Tennis: Benson and Hedges final in London. Ivan Lendl (Cs) beat Boris Becker (W Ger) 6-7, 6-3, 4-6, 6-4, 6-4.

Plessey points finger at Rockwell

BRITAIN'S FAILURE to win a multi-billion contract from the US Army was primarily the result of lack of co-ordination between the UK electronics group Plessey, and Rockwell, its US prime contractor, rather than overpricing of its equipment by the British company, Michael Heseltine, UK Defence Secretary, will be told today. Page 18

EUROPEAN Monetary System: The Belgian franc continued to improve within the EMS last week, encouraging the central bank in Brussels to reduce interest rates. Both the discount and Lombard rates were cut and domestic interbank rates continued to decline after the move, suggesting the possibility of a further cut in official rates. Although still the weakest currency, the Belgian franc was encouraged by the prospect of lower US interest rates and has so far resisted any build up of pressure that could result from a firmer D-Mark. The latter was little changed in subdued trading.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices closed higher on Saturday. The Nikkei stock average finished the half-day session up 42.2 at 12,679.84 after light trading.

JAPAN and West Germany appear to be making progress towards reducing the barriers to each other in their capital markets, although negotiations still have some way to go. Page 19

MEXICO is to levy additional taxes on middle to high-income earners next year to meet reconstruction costs from September's earthquakes and as part of efforts to halve the public sector deficit in 1986. Page 4

BURGUNDY: Prices at the Hospices de Beaune auction reached unprecedented and largely unexpected heights. Page 15

BALLY Manufacturing of the US is to buy MGM Grand Hotels and its casino-hotels in Las Vegas and Reno in a deal valued at about $560m.

BASF, the West German chemicals group, is reorganising its US subsidiaries into one company in the wake of several US acquisitions this year. Page 19

PROPOSALS for an electronic network connecting stock exchanges worldwide for dealing in international equities are expected to be presented this week by the London Stock Exchange. Page 18

WHEELING-PITTSBURGH, US steel company operating under Chapter 11 bankruptcy proceedings, lost $209m in the first nine months of this year as it absorbed the impact of the 98-day strike against wage cuts. Page 21

WERNER K. REY, Swiss financier, is to sell a majority stake in his internationally active Omnibank to Switzerland's 29 cantonal banks. Page 21

Weinberger views played down by Soviets and US

BY REGINALD DALE AND PATRICK COCKBURN IN GENEVA

BOTH THE US and the Soviet Union yesterday sought to play down the implications of a sharp warning by Mr Caspar Weinberger, the US Defence Secretary, that President Ronald Reagan should take a tough stand on arms control in his two-day summit meeting with Mr Mikhail Gorbachev, the Soviet leader, which opens here tomorrow.

The US party swiftly backtracked from the initial reaction of one senior administration official, who had suggested that the deliberate leaking of Mr Weinberger's secret warning was an attempt to "sabotage" the Geneva talks.

Mr Larry Speakes, the White House spokesman, said that Mr Weinberger's views were already well known and would be taken into account, along with those of other government departments after Mr Reagan returns to the US at the end of the week. The warning would not change Mr Reagan's attitude at the summit, he said.

Mr Weinberger's letter has had little apparent impact on Soviet attitudes to the summit. Mr Georgy Arbatov, a close adviser to Mr Gorbachev, said it was "a direct attempt to torpedo disarmament negotiations," but Mr Leonid Zamyatin, the official Soviet spokesman, said he largely agreed with Mr Speakes.

It was clear, however, that the incident, which dominated pre-summit briefings yesterday, had embarrassed the US Administration. In his letter, published in US newspapers at the weekend, Mr Weinberger urged Mr Reagan not to agree to limits on the US Star Wars space defence programme or formally recommit himself to the unratified 1979 Strategic Arms Limitation Treaty (Salt 2), which technically expires at the end of this year.

US spokesmen insisted that Mr Reagan would make no final decision on a continued commitment not to "undercut" the treaty until his return to the US – taking into account, among other things, the outcome of his talks with Mr Gorbachev. They did not rule out, however, that he might respond in some way in Geneva to Moscow's proposal that the treaty be extended for a year so that a new agreement can be negotiated in 1986.

The Soviet Union is eager to see the Salt 2 treaty extended when it expires at the end of the year and a US commitment to abide by an interpretation of the anti-ballistic missile treaty of 1972 acceptable to Moscow.

Mr Reagan, who arrived in Geneva on Saturday night, was said by his spokesman to be "hopeful, optimistic und determined" as he awaited his first encounter with a Soviet leader. Mr Gorbachev was due to arrive today.

Mr Speakes said that Mr Reagan hoped to chart a course for US-Soviet relations that would be "fundamentally different" from that of past American presidents. While recognising the deep differences between the two competing systems, he would argue, from a position of US strength, that superpower rivalry could still be kept peaceful.

The US team was encouraged by a Soviet decision, revealed at the weekend, to grant exit visas to nine out of 25 "divided spouses" of Americans hitherto unable to leave the Soviet Union. Mr Speakes said that the full implications remained to be seen, but he hoped that it was a "new signal" of Soviet willingness to work towards a less hostile relationship.

General Nikolai Chervov, the Soviet military spokesman on disarmament issues, reiterated the Soviet position that Star Wars was an insurmountable obstacle to nuclear arms limitation.

Continued on Page 18

Background, Page 2; Views from Moscow, Washington and Geneva, Pages 16 and 17

Parliaments to debate Anglo-Irish agreement

BY MARGARET VAN HATTEM IN LONDON AND HUGH CARNEGY IN DUBLIN

THE ANGLO-IRISH agreement giving Dublin a role in Northern Ireland policy making will go before the British and Irish parliaments this week and is expected to be endorsed by both within 18 days.

Mrs Margaret Thatcher, the UK Prime Minister, will make a statement in the House of Commons this afternoon and will lead for her Conservative Government in a two-day debate at the beginning of next week.

In Dublin, the agreement will be the subject of a three-day debate in the Dail (parliament) starting tomorrow. It is expected to survive an onslaught from Mr Charles Haughey, leader of the opposition Fianna Fail party.

In a television interview yesterday, Mrs Thatcher commended the agreement as an example of the strong policies characteristic of her Government. The deal was intended to "mobilise everyone against the men of violence," she said and added: "We will carry it resolutely through."

Opposition to the agreement in the UK Parliament is expected to be confined to 15 Ulster Unionist MPs, a group of right-wing Conservatives estimated at no more than 15 to 20, and possibly a handful of far-left Labour MPs who support a united Ireland.

In Dublin yesterday, Dr Garret FitzGerald, the Irish Prime Minister, said in a radio interview that the hostile reactions of Unionist leaders showed them to be "out of touch with a significant part of Unionist opinion."

"I do not detect from what I have heard the kind of movement on the ground of the type created at the time of the power-sharing executive in 1974," he said. It did not seem that the people were being moved to any mass political action of the sort seen in the Ulster Workers Council strike, which resulted in the collapse of that power-sharing agreement.

Mr Haughey has strongly attacked the agreement as a blow to aspirations towards Irish unity and indicated that Fianna Fail will oppose it.

The party will meet on Wednesday to decide how it will vote. It is not clear to what extent the party will be influenced by its former leader and Prime Minister, Mr Jack Lynch, who yesterday expressed strong support for the agreement.

Some government supporters are predicting a split in Fianna Fail ranks with some deputies voting for the agreement. Mr Haughey may, however, opt for an amending resolution, which, while condemning the Government's handling of the negotiations, leaves the way clear for a future Fianna Fail government to work within the new arrangements.

Failure to leave that option open would drive a wedge between Mr Haughey and the Social Democratic and Labour Party, the main nationalist party in the north, which has warmly endorsed the agreement.

Overt attempts by Mr Haughey's supporters, at the SDLP conference in Belfast 10 days ago, to provoke criticism of Dr FitzGerald and create a rift between the SDLP leaders, were quashed at the time.

In London yesterday, Mr Tom King, Northern Ireland Secretary, indicated that the predominately Protestant Ulster Defence Regiment would be substantially re-trained.

Background, Page 11; Editorial comment, Page 16

Steinberg intends to keep stake in Mercury 'at less than 20%'

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON AND WILLIAM HALL IN NEW YORK

AN ACRIMONIOUS exchange erupted last night between Mr Saul Steinberg's Reliance Group and Mercury Securities, the UK merchant banking group in which he has been building up a stake, creating fresh uncertainties over his intentions.

Mercury issued a statement saying that weekend contacts between the two companies – the first since Mr Steinberg began buying shares two weeks ago – had produced agreement by Mr Steinberg not to increase his 10.7 per cent stake without Mercury's consent. But sources close to Mr Steinberg in New York immediately denied that that had been the outcome of the discussions. Mr Steinberg had also refused, they said, to reduce his stake below 10 per cent as requested by Mercury.

Mr David Scholey, Mercury's chairman, said in response to the denial: "This is amazing and extraordinary. My colleague who was dealing with Mr Steinberg was in no doubt at all as to what he thought had been agreed." Mercury, parent company of S. G. Warburg, one of the UK's leading merchant banks, has made no secret of its hostility to Mr Steinberg.

The heated exchanges began with the statement issued by Mercury's board, which met yesterday in the wake of Mr Steinberg's announcement on Friday that he had raised his stake from 9.9 to 10.7 per cent and intended to push it to 15 per cent. He also said he had bought shares in Akroyd and Smithers, a stockmarket jobbing firm that Mercury is acquiring.

Mercury said it had asked Mr Steinberg to reduce his stake below 10 per cent because it did not like large shareholders. But Mr Steinberg replied that his holding was an investment and he had no intention of exercising any control or influence over Mercury. The Mercury statement also said Mr Steinberg had agreed to limit his stake to 20 per cent, and would not buy more shares without its agreement.

Mercury indicated that it strongly resented Mr Steinberg's interest and would put up a fight if it became too close.

Mercury also emphasised that the group it was assembling for the City of London "revolution," consisting of Akroyd, and Rowe & Pitman and Mullens & Co., stockbrokers, would make it "exceptionally well placed" to take advantage of the changes.

Executives of the merchant bank said yesterday they expected to meet Mr Steinberg shortly

Washington threat of steel curbs may delay EEC pact

By Nancy Dunne in Washington

A US THREAT to curb imports of semi-finished steel from the EEC might delay ratification of the new four-year steel sales pact just negotiated by the two sides.

Semi-finished products were left out of the agreement at the EEC's insistence. But sales of such products to the US have been rising fast as European producers met demand from US industry.

Mr Clayton Yeutter, the US Trade Representative, has threatened to impose a ceiling of 400,000 tonnes a year on EEC semi-finished steel imports, well below recent sales levels.

EEC officials say no ceiling is needed, citing a recent US International Trade Commission finding that the US market could absorb 3.1m tonnes a year.

That compares with the 1.7m tonne limit for semi-finished products set under President Reagan's steel import restriction programme. Brazil has been given a 700,000-tonne quota and Canada has no limit, so EEC officials believe 400,000 tonnes is unreasonable.

The issue of semi-finished products was expected in the EEC to cause difficulties over the new pact, announced this month and setting out market shares or tonnages for most EEC steel shipped to the US.

The US market is worth $2.5bn a year to EEC producers. Assurances have been sought from the US Government that it would not unilaterally shut off semi-finished imports.

Imports of semi-finished steel into the US soared to 670,000 tonnes in the first nine months of this year from 462,000 tonnes and 113,000 tonnes in the same period of 1984 and 1983 respectively.

The EEC Council of Ministers has been expected to ratify the steel pact this month. But clarification of US intentions on the semi-finished product is needed before that can happen.

British Steel Corporation (BSC) is especially concerned about the issue because it has contracts to supply the new Tuscaloosa Steel plant in Alabama, in which it has a minority interest, with semi-finished, continuously cast slabs.

Unless the threat of a 400,000-tonne limit is removed, the UK might refuse to ratify the total steel agreement, possibly backed by West Germany and the Netherlands. BSC has contracted to supply about 250,000 tonnes a year to Tuscaloosa.

The tough US line over semi-finished steel is thought to have been prompted by representations from established US steel producers, alarmed at the new competition from Tuscaloosa.

US business leaders push SA reforms

BY MICHAEL HOLMAN IN WASHINGTON

SENIOR executives from leading South African and US companies have met in London to draw up a joint strategy to challenge apartheid. The plan includes funding of a range of black educational, housing and business projects.

The unpublicised meeting, held last week, is seen as part of a big effort to present a constructive alternative to the growing move towards disinvestment from the Republic by US companies. Coca-Cola, International Harvester and Phibro-Salomon are among 18 companies that in the past year have ended or reduced their South African business links. About 300 US companies operate in South Africa, representing a total investment of more than $2.5bn.

Present at the London meeting were the chief executive officers of four of the largest US corporations: Mr Roger Smith of General Motors; Mr Michael Blumenthal of Burroughs; Mr Raleigh Warner of Mobil and Mr John Reed of Citibank. The South African side included Mr Gavin Relly, chairman of Anglo American and Mr Mike Rosholt, chairman of Barlow Rand.

Mr Rosholt said in Johannesburg that the meeting was part of continuing efforts by business leaders of both countries to work out a positive business contribution to solving South Africa's problems.

The discussions were organised by the US Corporate Council on South Africa, which was formed in September and consists of executives of companies with interests in tha country. All 70 members subscribe to the Sullivan code of business practice, a set of principles drawn up under the chairmanship of the Rev Leon Sullivan, a US clergyman.

Spokesmen for the US companies have refused to discuss the London meeting, although General Motors described it as productive. The broad purpose of the meeting, according to businessmen close to the talks, was to continue efforts to

Continued on Page 18

VW-Audi leads West European car sales

BY KENNETH GOODING IN LONDON

VOLKSWAGEN-AUDI was the top selling car manufacturer in Western Europe in the first nine months of 1985. The West German group seems almost certain to top the league for the full year for the first time in its history.

Japanese companies' penetration of the Western European market reached a record 10.7 per cent in the nine months, up from 10.4 per cent in the same period last year.

The Japanese sold 870,000 cars in January-September against 830,000 in the same months of 1984 – more than Renault, even though the French group's sales improved from 830,000 to 860,000.

This is the first time that the combined Japanese total has been above that of one of Europe's top six producers.

The VW-Audi group was neck and neck with Fiat of Italy (which includes Lancia) half-way through this year but pulled ahead in the third quarter, mainly because of strong performances in Spain and in Fiat's domestic market, Italy.

Whereas the uncertainties about emission control regulations held back sales in West Germany, where VW-Audi's registrations advanced by only 0.7 per cent, the new VW Golf made tremendous headway in Italy, where the West German group's nine-month sales jumped by nearly 73 per cent, from 65,000 to 112,000.

In Spain, where VW is now benefiting from the link forged two years ago with the state-owned Seat company, VW-Audi sales in the nine months improved by more than 83 per cent.

According to statistics compiled by UK-based Automotive Industry Data, Ford, which won the West European car sales race last year, had dropped a full percentage point at the end of nine months

Western European car market: nine months

	1984	1985
Total market	7.82m	8.18m
Market shares (%)		
VW-Audi	11.8	12.9
Fiat	12.8	12.4
Ford	13.1	12.1
GM (Opel-Vauxhall)	11.2	11.5
Peugeot, Citroën, Talbot	11.2	11.2
Renault	10.7	10.6

Sources: Automotive Industry Data

CONTENTS

Arafat petitions Gorbachev on Mideast peace

BY TONY WALKER IN AMMAN

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, has sent e message to Mr Mikhail Gorbachev, the Soviet leader, on the eve of the Geneva summit urging him to "suport the rights of the Palestinian people" et any proposed conference on the Middle East.

Mr Arafat, in an exclusive interview with the Financial Times, said he hoped that President Reagan and Mr Gorbachev would discuss the Arab-Israeli dispute, including "its main issue, the Palestinian question, and accept to have an international conference. . . to solve this chronic problem."

The PLO chairman spoke in the early hours of Sunday morning after talks on Saturday with King Hussein of Jordan in which they considered in what form and under whose auspices an international conference might take place. It was their first meeting since hard evidence emerged last week of e growing rapprochement between Syria and Jordan which has unnerved senior members of the PLO.

Mr Arafet insisted thet his relationship with the King was "strong, deep aod strategic," but he allowed himself oblique criticism of a letter made public hy the Hashemite monarch edmitting unintentioonally misleading Damascus over the activities of anti-Syrian elemeots in Jordan.

"He was very generous with the Syriens," Mr Arafat said. "Why isn't there a response (from Damascus) on the same lines and the same attitude?"

There is a deep emnity between Mr Arafet and President Hafez al Assad of Syria who has beeo telling visitors there is no prospect of reconciliation with the PLO while Mr Arafat remained in command.

Mr Arafat confirmed thet recent attempts at smoothing over differences with Syria hed made no progress.

Some senior Palestianian officials fear that the Jordanian-Syrian rapprochement will be used to exert pressure on the PLO in the lead-up to e proposed international conference and that the organisation may even be forced to play a secondary role at such a conference.

Mr Arafat insisted, however, thet he had confidence in the King and that their accord of February 11, which is barely mentioned in Amman these days, still stands.

"The King is co-ordinating with me, not squeezing me."

The February 11 accord, which was greeted with much fanfare in Amman when it was signed, formulates principles for resolving the Arab-Israeli dispute according to United Nations and Security Council resolutions.

Among these resolutions, although oot specifically mentioned, is 242, acceptance of which would involve implicit recognition of Israel's right to exist within pre-1967 boundaries.

Mr Arafet refuses publicly to endorse resolution 242, despite pressure from the King to do so. He says he is not prepared to agree to preconditions in advance of an ioternatiooal conference.

He indicated some thought was being given to the shape of Arah representation. He referred to a proposal that has surfaced in the past for a joint Arab delegation in which members would have more or less equal status.

Mr Arafet was adamant that the "international conference cannot only he decided by an agreement betweeo the Arabs and the Israelis with the Americans.

"No; this international conference has to be decided by the two superpowers," he said.

"The Americans were imagining they could solve the whole issue through Camp David (the US-sponsored accords which led to the peace treaty between Israel and Egypt), but what happened? ... more tragedy, more wars

Moscow urged to ease Jewish emigration

By Walter Ellis in Tel Aviv

ISRAELI leaders yesterday called on the Soviet Union, in the context of the Geneva summit, to agree to an increase in the level of Jewish emigration.

Mr Shimon Peres, the Israeli Prime Minister, said that there were signs from latest reports to reach Jerusalem that Moscow might be ready to step up permitted emigration in the framework of "family reunion." The immediate families of those who had already been granted exit visas might be allowed to leave as well.

Mr Peres said Israel was prepared to speed up the process by "quiet diplomacy," thus meeting a Soviet requirement that publicity should be kept to a minimum.

Mr Yitzhak Shamir, the Foreign Minister, and Mr Jacob Tsur, the Immigration Minister, also pleaded for a quickening in the pace of release for the "prisoners of zion."

Talks in Oman on Middle East

KING HUSSEIN of Jordan and President Hosni Mubarak of Egypt arrived in the Omani capital last night and are expected to have talks today amid a flurry of regional diplomatic activity involving the Soviet Union, to try to further the Middle East peace process, Stewart Dalby reports from Muscat.

The two leaders are among a number of heads of state, prime ministers and other political representatives expected for Oman's national day celebrations which mark the 15th anniversary of Sultan Qaboos bin Said's accession to power.

Over the weekend the United Arab Emirates became the third member of the six-nation Gulf Co-operation Council to establish diplomatic relations with the Soviet Union, following Oman's lead last September.

Western diplomats in Muscat said they felt recognition of the Soviet Union reflected a desire amongst GCC countries to try and move closer to centre stage in the Middle East peace processes.

Zia appeals for troop cuts in Afghanistan

BY JOHN ELLIOTT, SOUTH ASIA CORRESPONDENT, IN ISLAMABAD

PRESIDENT Zia ul-Haq of Pakistan yesterday appealed to the Soviet Union to reduce its military activities in Afghanistan so that some of the country's estimated 3m refugees in Pakistan could return to their homes.

Speaking as President Reagan of the US and Mr Gorbachev, the Soviet leader were preparing for tomorrow's summit, President Zia also appealed to Moscow to state a time frame for the withdrawal of troops from Afghanistan and to give its direct backing to the United Nation's peace initiatives.

President Zia said during a wide-ranging interview that there could be "no military solution" of the Afghanistan problem and appealed to Mr Gorbachev to discuss the issue with Mr Reagan during the summit. Some Pakistan diplomats believe the most that can be expected is that the issue is put formally on the agenda for a follow-up summit. President Zia described this as the "second best we can hope for."

He believed Mr Gorbachev's wish to ease relations with the west could lead him to consider initiatives in Afghanistan. The escalation of Soviet military activities during recent months could reflect the fact that Mr Gorbachev is in a "hurry" and had therefore allowed plans to go ahead which had been drawn up by Soviet military authorities before he became leader.

President Zia reiterated Pakistan's refusal to have direct talks with Afghanistan in the forum of the Geneva peace talks which last convened in August and are scheduled to resume next month. "Direct talks are out—there can be no compromise on that," he declared.

Since the Soviet Union will not negotiate directly with Pakistan, he appealed to Mr Gorbachev to "use the good offices of the United Nations and give its backing to the peace process so that it might resolve the issue politically." This would presumably mean allowing Afghanistan to discuss withdrawal of Soviet troops.

He said that in the meanwhile "at least the Soviets should limit the activities of their 150,000 troops in Afghanistan so that some conducive environment can be formed so that some, though not all, of the refugees will go back."

President Zia has obtained considerable financial benefit from the Soviet occupation of Afghanistan because it brought international support for his military regime, notably in the form of a $3.2bn package of defence and economic aid from the US. But the presence of 3m refugees in Pakistan is creating problems, even though most live in border tribal areas where they are broadly accepted.

Pakistan has asked the US for a fresh aid package which Mr Mahbubul Haq, the Finance Minister, has described as twice the size of the present package.

East Germany is believed to have ordered its border guards not to shoot at escapees seeking to reach West Germany. The suspension of the shooting orders was believed in Bonn to be connected with tomorrow's summit meeting in Geneva or with a possible visit to West Germany by the East German President, writes Leslie Colitt in Berlin. Mr Gerhard Reddemann, the Christian Democrat (CDU) chairman of the inner-German committee of the Bundestag, said he had information that the border guards standing orders to shoot were being "suspended." He noted the East Germany leadership may have taken this step to prevent a possible shooting of an escapee from overshadowing the Geneva summit. He said it might also be connected with a possible visit to West Germany in the near future by Mr Erich Honecker. Such a visit has been widely rumoured in West Germany.

Pakistan accuses India of nuclear strike capability

BY JOHN ELLIOTT

PRESIDENT Zia ul-Haq of Pakistan yesterday accused India of having the nuclear capability to "strike against anyone they like" in spite of repeated statements by Mr Rajiv Gandhi, the country's Prime Minister, that India has not reactivated its nuclear weapons programme of the early 1970s.

President Zia's remarks come at a time when Pakistan is widely suspected of pursuing a successful nuclear weapons programme, itself a charge which it denies. President Zia's comments about his suspicions of India's activities were his most outspoken.

He made it clear he was referring to work continued by India after a test nuclear explosion in 1974. "They may not have acquired a sophisticated delivery system as yet but they are not far from it. And as for the capability of nuclear weapons, they already have acquired it and regard themselves as an unofficial member of the nuclear club," he said.

He doubted whether India would use a nuclear weapon in any conflict, including a war with Pakistan, but when asked whether he thought India could drop a bomb on Pakistan, he said "Yes, they have the capability to strike against anyone they like."

President Zia yesterday stated publicly for the first time that he will retire as Pakistan's Chief of Army Staff when the country's martial law is lifted at the end of next month. He said he would remain President until elections in 1990 and would then retire from that post as well.

President Zia, a career army officer who ousted the late Prime Minister Bhutto in 1977 and formed a military regime, said it would be inappropriate for him to stay in the post "when as Chief of Army Staff I have no role to play."

This could change the balance of authority in the country, although he will still have considerable presidential powers under amendments to the country's constitution which have absorbed many of the existing martial laws.

He says he does not want political parties to operate until just before the scheduled 1990 elections. This will leave him considerable scope to influence the country's non-party assembly, which was elected early this year and Mr Mohammad Khan Junejo, the Prime Minister.

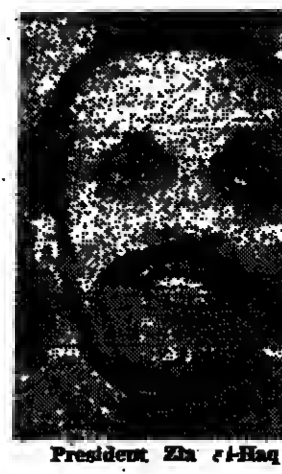
Pakistan feels it has regained the initiative from India in a nuclear debate in the United Nations Assembly in New York which hit international headlines in October.

Earlier in the year Mr Gandhi threatened India would consider reactivating India's abandoned nuclear weapons programme if it were proved that Pakistan had developed a nuclear bomb. He had wanted to persuade the US to take direct action to curb Pakistan, but failed. India was then annoyed by a US suggestion that the two south Asian countries should jointly launch a regional non-proliferation initiative.

"After five years of battle we have succeeded in defining the correct approach for the aim of the US which is to stop proliferation. That demands that anyone anywhere in the region should be equally treated," President Zia said.

"But I do not think India will buy this because they are on a much higher technological and scientific plane and they do not want to be equated with Pakistan," he said.

President Zia clearly feels he has outmanoeuvered India by putting forward a five-point offer at the UN, based on both countries acceding to the international non-proliferation treaty,



President Zia ul-Haq

accepting full international safeguards, inspecting each other's facilities, renouncing acquisition of weapons, and making South Asia a nuclear-free zone.

India has rejected this. New Delhi argues that it cannot trust Pakistan, and that it is not prepared to open its indigenously developed nuclear technology to inspection or leave itself at a disadvantage to China, its large neighbour.

"I went to Mr Gandhi in New York and said here are the proposals. If you can't find any of them comprehensive or practical then please tell me another and I will consider it. But we have neither got a yes to our proposals nor a fresh proposal from them. We have an open mind. Let them suggest anything more," President Zia said yesterday. He described general relations with India as "satisfactory" but not as "intimate" as they should be for co-operation.

Mr Gandhi has complained in recent months that cordial talks he has had with President Zia have been quickly soured by Pakistani army action against Indian troops in northern Kashmir and by Pakistan training extremist Sikhs.

President Zia said the clashes in Kashmir and Sikh problems were India's creation not ours. To blame Pakistan for them is highly unfair."

Mr Gandhi said last week in India that he was ready for wide-ranging talks with Pakistan. In response President Zia said this was a "very happy augury" and looked forward to meeting Mr Gandhi at a function in Oman today.

Over the weekend trade talks between the two country's economic and trade ministers in New Delhi led to a fresh pledge to expand their countries' public sector-oriented small-trading activities, especially in the private sector. Joint industrial ventures will also be explored in both countries.

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OVERSEAS NEWS

France in move to persuade UK over Ariane

BY DAVID MARSH IN PARIS

A FRESH test for the Anglo-American "special relationship" in defence technology is likely to emerge from French efforts to persuade Britain to launch a military communications satellite with the Ariane rocket rather than the US space shuttle.

French government officials say the question of the launch in late 1988 of the UK Defence Ministry's Skynet 4C satellite will probably be raised at today's annual summit meeting between French and British ministers in London.

President François Mitterrand, accompanied by several top ministers, will be trying to use the talks to press home the French desire for greater technological and industrial collaboration in Europe.

Mr Mitterrand is also due to discuss with Mrs Margaret Thatcher, the British Prime Minister, preparations for next month's EEC summit in Luxembourg which looks set to be dominated by Franco-German proposals to revise the Treaty of Rome.

The two leaders will also be discussing work leading up to a decision by the end of January on a choice of project for a fixed transport link across the Channel. Mr Mitterrand is pressing for a detailed timetable to be drawn up for preparatory discussions ahead of a planned signing of a treaty over the Channel link between the two governments in February.

In the light of tha US-Soviet summit this week, the two governmeots are expected to reject the latest suggestions from Moscow that the French and British nuclear deterrents arms reduction targets of the super powers.

France has been making discreet efforts for several months to win a British contract to launch Skynet 4C with Ariane, the French-led European space rocket in which Britain has a small stake. France tried unsuccessfully two years ago to persuade Britain to drop its previous reliance on the US for launching the Skynet series.

The previous two craft, Skynet 4A and 4B, built by British Aerospace in partnership with the French electronics group Matra, will be launched in June next year and the beginning of 1987 with the US space shuttle.

The affair is unusually sensitive because of Britain's traditionally close links with the US over military communications. The previous two Skynet spacecraft were built specifically to be launched from the space shuttle's cargo bay. To tide it over until it has its own satellites in orbit, Britain has been leasing a US military satellite above the Atlantic.

Britain's ties with the US over military technology have been complicated by Mrs Thatcher's fruitless personal message to President Ronald Reagan during the summer advancing "special relationship" to try to win for Britain a $4bo order for a mobila communications system for the U Sarmy. The Pentagon earlier this month chosa technology developed by Thomson of France rather than Plessey.

Socialist assault on Eiffel Tower provokes outcry

BY DAVID MARSH IN PARIS

A government attempt to wrest control of the commanding heights of the Eiffel Tower, the venerable Parisien landmark, to install television transmitters provoked cries of outrage and charges of improper nationalisation from the French opposition yesterday.

The city of Paris, whose mayor, Mr Jacques Chirac, is leader of the right wing neo-Gaullist RPR party, owns a 51 per cent stake in the company which controls the monument. The company has failed to agree financial terms with Mr Francois Mitterrand's Socialist Government over the TV transmitters, so holding up plans to open up private television channels around the country.

Late on Friday the Bill enacting the legal framework for private television was adopted on its second reading at a sparsely attended meeting of the National Assembly. It contained an amendment which gave TDF, the state broadcasting organisation, the right of passage to place transmitters on "roofs, terraces and superstructures" of any private building.

Mr Chirac described the move as "immoral, a legalised hold-up" and Opposition deputies protested that the tower was being nationalised. The Opposition seems likely to fight the move on the grounds that it is unconstitutional.

The Government's action to take over the strategic "high ground" of the tower represents the most dramatic move to date in a complex television war being waged between the political parties and their allies in the French broadcasting and industrial world.

At stake is the promise by President Mitterrand at the beginning of this year to bring in new private TV channels, in a bid to boost France's international expertise in the communications business and end the traditional state monopoly over broadcasting.

The Government decided this summer to bring in two new general information and music over-the-air channels next year capable of broadcasting directly to 46 per cent of the French population.

The Government wants to put the plan into place before the elections to take the wind out of the sails of the Opposition's proposals for a more liberal broadcasting system.

However, the project has been held up by numerous technical and economic problems in recent months. Setting up a TV service covering Paris is a crucial condition of putting into operation a country-wide network.

The Government's new measure, provided it is not checked by legal counter-action from the Opposition, would pave the way for a group which links Mr Jerome Seydoux, the chairman of the Chargeurs industrial holding company, and Mr Silvio Berlusconi, the Italian communications magnate, to be given a licence to set up the first private TV channel.

The link-up has been given support from the Elysee Palace, but it has been opposed in a bid by the Compagnie Luxembourgeoise de Telediffusion (CLT), the Luxembourg broadcasting group, to set up a rival association.

Mr Jacques Rigaud, the head of CLT, made an unusual appeal last week for a link between Radio-Tele Luxembourg, CLT's radio and TV broadcasting offshoot, and the two rival French radio stations, Europe-1 and Tele-Monte Carlo, to counter the threat from the Seydoux-Berlusconi consortium.

EEC finance ministers in talks on Greek loan

By Quentin Peel in Brussels

THE EUROPEAN Commission will today propose to EEC finance ministers the terms and magnitude of any loan to Greece to tide the country over its balanee of payments difficulties.

The Greek package of austerity measures which accompanied devaluation of the drachma last month is likely to come in for renewed criticism from the ministers.

Mr Costas Simitis, the Greek Finance Minister, held talks in Brussels last week. His colleagnes are known to be particularly concerned at the lack of a strict time limit on safeguard proposals including the imposition of a wide-ranging import deposit scheme.

The other controversial aspect of the Greek problem is the request hy Athens for an extension of the country's transitional period for implementing EEC regulations beyond January — inelnding a delay in imposing value added tax (VAT).

The EEC monetary committee of senior central bank and treasury officials was understood to be meeting yesterday lo consider the Commission's proposals. Any "mutual assistance" provide to a member state must first go to the committee for consideration.

It is understood that a loan of up to Ecu 1.8bn (£1.08bn) could be made available to Greece, but in return the Greek government would be required to set clear time limits on its safeguard measures.

The finance ministers also have controversial debates on their agenda on the proposals put forward hy M Jacques Delors, the Commission President, for monetary reforms of the Treaty of Rome, and by Lord Cockfield, the Commissioner responsiblo for the internal market.

Italian students protest against education system

BY JAMES BUXTON IN ROME

THOUSANDS of university and secondary school students from all over Italy marched through Rome on Saturday in protest against poor conditions and bad organisation in the country's education sytem.

The march, in which at least 100,000 young people are estimated to have taken part, was the latest and most striking development in a campaign that has mushroomed in the past few weks.

Both politicians and media comentators have shown anxiety about parallels between the current student movement and the wave of student protests that began in 1968. That movement was originally directed, as is the preseot one, against the inadequacies of the education sytem, but eventually led to chaos in universities and schools.

But the politicians have so far been reassured by the moderation shown by most of the protesting students, and by the good-natured mood of the protest marches, including that held in Rome on Saturday. The basic theme of the protest is insistence on the right to study properly.

The only sinister element in Saturday's protest march was the disruption caused by a number of members of the extreme left-wing Autonomous Movement who shouted angry slogans and made the symbol of holding a pistol in their raised right hand.

The students' protest was sparked off by the decision of the Government to increase the modest charges for higher education in the budget for 1986, which has yet to be approved by parliament.

The protest reflects long-standing discontent with the inadequate facilities, overcrowding and apparently uncaring administration of many of Italy's universities and secondary schools.

Mrs Franca Falcucci, the Christian Democrat Minister of Education, who met a delegation of the protesters on Saturday, admits that some of the students' grievances are justified.

Taiwan ruling party wins local elections

By Robert King in Taipei

TAIWAN's ruling Nationalist Party swept to an easy victory in local elections held on Saturday, dispelling notions that the electorate would vent their dissatisfaction over recent political and economic problems at the polls.

A loose coalition of non-partisan candidates of various political stripes managed on average only to maintain the status quo of seats at the local magistrate, mayoral, and provincial assembly level.

Observers had been watching the contest closely for a possible shift in traditional voting patterns. The Nationalist dominated Government has this year come under heavy fire because of the economy's poor showing and the connection of certain Government officials to financial and political scandals.

Analysts now are left with the question of whether the ruling party, flushed with yet another victory, will be inclined to institute several badly needed economic and political reforms.

Israel aims to cut interest rates in inflation fight

BY WALTER ELLIS IN TEL AVIV

INTEREST rates in Israel may fall quicker than expected following last week's disclosure of a renewed build-up in inflation.

Mr Yitzhak Moda'i, the Finance Minister, said yesterday he hoped to bring about a cut in rates in a bid to stabilise the consumer price index.

On Friday, it was revealed that the monthly rate of inflation had climbed to 4.7 per cent in October, giving a cumulative figure for the year so far of slightly more than 180 per cent.

Commercial banks in Israel have acted twice in recent weeks to reduce rates — which have touched 100 per cent per annum in real terms.

But the Bank of Israel, concerned with the growth in money supply, is continuing to urge caution. Recent influxes of US aid—much of it in emergency contributions—have triggered a release of emergency cash into the system and, ironically, have increased instead of eased fiscal pressures.

Ministers are reported to be shocked by the latest inflation figures. It had been hoped that the 4 per cent hurdle, releasing automatic compensatory wage increases, would not be reached, so that pay rises could be delayed until January.

he Government's programme of economic austerity has produced a cut in the value of net salaries of 13 per cent (25 per cent gross) since July. Wage increases are thus not the cause of the latest price increases. Sharp upwards movements in the prices of fruit and vegetables, footwear and clothing are blamed, and these are less easily controlled than pay packets.

● At yesterday's meeting of the Israeli Cabinet, Mr Peres formally withdrew his threat to dismiss Mr Ariel Sharon, the controversial minister for trade and industry. Mr Sharon had apologised for critical statements he had made of the Premier and his policies.

EEC bid to boost spending on Esprit

BY PETER MARSH

OFFICIALS at the European Commission are seeking to accelerate spending on the Esprit programme, a series of collaborative research projects in electronics, as a result of promising developments during the scheme's first two years.

The officials want the 10 countries of the European Community to inject new cash into Esprit in 1987, two years ahead of schedule.

The Commission originally earmarked £499m (Ecu 750m) for Esprit, with the cash due to last from 1984 to 1989. But so great has been the demand from companies and research institutes for grants from the programme, that civil servants have already allocated 90 per cent of the cash.

According to Dr Eduard Pannenborg, chairman of a panel set up by the Commission to review progress on Esprit, the scheme has proceeded much better than expected.

Dr Pannenborg, a former vice-chairman of Philips, the Dutch electronics company, said in London at the weekend that companies had shown they could collaborate at the research level, which had come as a "very positive, pleasant surprise." Dr Pannenborg said he hoped many of the joint research ventures would lead to collaboration in products.

Under Esprit, the European Commission has since 1983 awarded grants totalling £401m to companies, universities and research institutes in three broad areas of electronics and information technology — new chipmaking techniques, computer software and automation systems in factories and offices.

According to civil servants at the Commission, a new Esprit programme, which could begin in 1987, would make available a further £449m over five years. This would be needed to keep up the momentum from the inital phase of the scheme.

The Commission is keen to draw a distinction between Esprit, which is aimed solely at electronics and covers pre-competitive research, and Eureka, a second pan-European research project that is organised outside the formal framework of the Commission.

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UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF ALABAMA

In re:
Case No. 85-00573
MARION CORPORATION
Debtor

ORDER AND NOTICE OF HEARING ON DISCLOSURE STATEMENT

[illegible]

Dated: November 8, 1985.
GORDON B. KAHN
United States Bankruptcy Judge

OVERSEAS NEWS

Mexico to raise taxes in deficit drive

BY DAVID GARDNER IN MEXICO CITY

MEXICO IS to levy additional taxes on middle to high income earners next year to help meet reconstruction costs from September's earthquake and as part of the effort to halve the public sector deficit in 1986.

The reduction in the public sector deficit, from a forecast 9.6 per cent of gross domestic product this year to 4.9 per cent next, is one of the central aims of the 1986 budget, which is due before tha Mexican congress this week. It is also one of the thorniest issues to be negotiated with the International Monetary Fund (IMF) before the end of the year.

Mexico was due to end a three-year austerity agreement with the Fund this December but is negotiating a further one-year programme for 1986, which the authorities here hope will persuade the country's foreign bank creditors and international financial institutions to lend it $4.1bn (£2.9bn) in net new funds next year.

President Miguel de la Madrid has ruled out a moratorium on payments of the country's $96.4bn external debt. "It would only lead to confrontation and isolation," be said.

Mexico had been set to miss the targets agreed with the IMF for this year even before the devastation caused by the earthquakes, the eventual cost of which has been estimated at around $5bn.

In particular, the agreed public deficit figure of 5.1 per cent of GDP would in any case have been exceeded by at least three points and the inflation rate was already heading for the now likely year-end level of around 60 per cent, against a target of 35 per cent. As a result the IMF was preparing to suspend disbursement of some $900m under the current three-year agreement the day the first earthquake struck.

Total expenditure for next year is due to rise 57 per cent in nominal terms, to just over pesos 30,000bn, or $92bn et the current "controlled" exchange rate used for 80 per cent of trade and all transactions on the $96bn foreign debt. Over e third of this will go towards servicing the foreign and increasingly intractable domestic public debts, a rise of around half on this year's debt service bill.

But as a percentage of GDP, spending is due to drop 2.6 percentage points while the authorities hope to increase treasury receipts by 1.5 per cent through the additional income taxes, higher taxes on cars, luxury goods, and public goods and services, and higher oil revenues, which fell this year by 12 per cent.

The budget document sent to Congress equates this effort with the severe austerity of 1983 following Mexico's financial collapse during which spending was cut 4 per cent and the tax take rose by the equivalent of 3.4 per cent of GDP.

The document also underlines that the burden of the cuts will fall on current spending by public sector enterprises.

Growth next year will be virtually stagnant, after a 4 per cent rise this year, with inflation running et 45-50 per cent. The Government forecast sees a slightly improved trade surplus of around $8bn (against a likely $7.5bn this year and $12.8bn last year), with the current account running a small surplus of up to $500m (against a deficit this year of the same amount and a $4bn surplus in 1984).

Both independent analysts and, privately, government officials believe that this new attempt to restore Mexico's financial health will be acceptable to the IMF and thence to the country's creditors.

One senior financial official argues that the cuts will strip away all the fat that there is left, and can go no further, particularly in the light of the earthquake damage

Sao Paulo challenge for Sarney

BY ANDREW WHITLEY IN RIO DE JANEIRO

FORMER PRESIDENT Janio Quadros of Brazil, yesterday returned to national prominence with an upset electoral victory in Sao Paulo over Mr Fernando Henrique Cardoso, favourite son of the Brazilian Democratic Movement Party (PMDB) — the dominant party in the government coalition.

Even before the final announcement of tha results from last Friday's municipal elections, Mr Quadros, 68, an eccentric populist, who in 1960 was Brazil's last freely elected bead of state, served notice on President Jose Sarney that he would be a force to reckon with in future.

In a Press conference on Saturday tha new mayor of Sao Paulo, South America's largest city, said ba would be pressing President Sarney for economic policy reforms and the dismissal of left-wingers from the cabinet.

With nearly all the votes counted from the poll—the first free elections in Brazil for over 20 years—the PMDB was either leading in or had scored victories in e clear majority of state capitals

But the scale of anticipated triumph was much diminished by losses in half a dozen of the country's largest cities, including Sao Paulo and Rio de Janeiro. In Rio and Porto Alegre in the far south the socialist Democratic Labour Party of Mr Lionel Brizola, a presidential hopeful, put up a strong showing to capture the two cities.

The appeal of the political left among the 19m voters who took part in the elections was also demonstrated by the unexpectedly strong performance of the grassroots Workers Party (PT). It won 20 per cent of the vote in Sao Paulo, its political base, and came a good second in at least three other cities. But its most spectacular performance was in Fortaleza, one of the most important urban centres of the crowded north-east coastal strip, where its candidate was in the lead yesterday afternoon.

Colombian town may be declared mass cemetery

THE Colombian Government on Sunday prepared to declare the buried town of Armero a giant cemetery becausa of the difficulty of recovering thousands of bodies lost under a massive mud-slide triggered by the eruption of the Nevado del Ruiz volcano last Wednesday, *AP reports from Armero*. Mr Rafael Zubiria, the Health Minister, made the announcement on Saturday night, saying civil defence workers would begin burning rotting bodies jutting from the mud flats that cover Armero to prevent the outbreak of disease.

He said the number of dead end missing from the 15-ft-deep river of mud that swept down the mountain on to the sleeping town and nearby villages has reached more than 22,000.

Rescue workers said they have recovered only abont 800 bodies.

The dead include ebout 8,000 children, Mr Jaime Benitez Tobon, director of the National Family Welfare Institute, said.

Authorities were keeping a close watch on the Lagunilla, the Guali and the three other rivers that run from the volcano's glacier after an erroneous report of another alvalanche caused panic on Saturday afternoon in towns along the rivers.

Venezuela plans Apure oil production

VENEZUELA is pressing ahaad with plans to start oil production next June in its western state of Apure, even though one of the fields is probably part of the same structure as one being developed in Colombia on the other side of the River Arauca, Richard Johns writes.

Corpoven, an affiliate of Petroleos de Venezuela, is aiming to truck 14,000 barrels a day of light crude to the first 40 km leg of a new pipeline from Barinas which is already linked to the company's El Palito refinery on the coast.

When the full 200 km/20 inch facility is finished towards the end of 1987, throughput is projected at 100,000 b/d rising later to 200,000 b/d. Carpoven now estimates proven reserves from the two fields so far discovered at 500m barrels but says the actual amount could be much greater.

The potentially contentious field is Gnafita, situated in a remote region where there is already tension because of smuggling and a border dispute.

PDVSA and Ecopetrol, the Colombian state oil corporation, are understood to have undertaken not to drill within 1200 metres of the river. They are also working on an agreement on the exchange of technical information to determine the area's structure.

WORLD TRADE NEWS

Gatt fails to produce progress report on talks

BY WILLIAM DULLFORCE IN GENEVA

THE ATMOSPHERE among the 90 countries in the General Agreement on Tariffs and Trade (Gatt) has been soured by the failure last week of senior officials to produce an agreed report on the path to new multilateral trade negotiations.

Their failure may nevertheless not be so important despite the sharp reactions from the US, the European Community and other countries eager to get a round of talks going next year.

Fundamental differences over the contents and shape of the talks were in any case bound to be aired again at Gatt's top-level meeting next Monday. The meeting is scheduled to decide on the establishment of a committee to prepare the talks.

The group of senior officials, appointed at a logjam breaking special session of Gatt on October 2, succeeded during nearly four weeks of discussion in establishing a compendium of all the major issues that countries want the talks to handle.

It also elicited the widely varying priorities and attitudes to each topic among Gatt members, an exercise which has compelled many to start thinking seriously about aims and tactics.

One factor to emerge was the importance many developing countries attach to obtaining a commitment from the industrialised countries before the talks start to call a halt to further protective trade measures. They also want an advance understanding that national measures already effective, which are contrary to Gatt rules, will be rolled back.

The small group of developing countries—Brazil, India, Argentina, Egypt and Yugoslavia—which has consistently opposed the inclusion of trade in services in the new round blocked agreement in the senior officials' group on the report to be submitted to next Monday's meeting.

In Washington Mr Clayton Yeutter, the US Special Trade Representative, reacted by threatening to organise trade talks next year outside Gatt.

The European Community, which has been taking a more conciliatory line towards the developing countries, also voiced its disapproval

Hong Kong puts faith in Reagan on protectionism

BY DAVID DODWELL IN HONG KONG

HONG KONG'S director of trade, Mr Hamish MacLeod, was this weekend retaining a "battered optimism" over assurances by US presidential aides that the protectionist Jenkins Bill—which passed through the Senate at the end of last week—will be vetoed by President Reagan.

If passed into law the Bill would force a 14 per cent cut in Hong Kong's textile exports to the US which in 1984 were worth $3.03bn (£2.11bn). Equally hard hit would be China, Indonesia, Taiwan, and other Asian textile exporters to the US.

Defeat of the Bill will bring cold comfort in Hong Kong, however. Officials have been left with no illusions over the strength of protectionist sentiment in the US. They are aware that the Jenkins Bill is just one of a number of moves in the US which threaten sales to the territory's single most important export market.

As a result, the Hong Kong Government has in recent months mounted an unprecedented lobbying effort in the US. Professional lobbyists have been employed to sway votes in the Senate and the House of Representatives. A campaign has been waged to show that Hong Kong is a market of considerable importance to American exporters.

Above all, in response to American claims that the protectionist legislation passing through the US Senate is largely an assault on the protectionism in Japan in particular and Asia and the Pacific in general, Hong Kong has bellowed that it is a market without tariff barriers. This prompted two amendments to be tabled to the Jenkins Bill calling for a special case to be made of Hong Kong, but both were defeated.

Protectionism in the US could do great damage to Hong Kong's trade performance. The US accounts for 45 per cent of the territory's total exports. In 1984 sales to the US amounted to $7.9bn, with textiles and garments accounting for almost 40 per cent of this.

The outrage in the territory over the passage of the Jenkins Bill has been fuelled by the fact that Hong Kong is an important market for US exports. Hong Kong is America's fourth largest trading partner in Asia—behind the much more populous countries of Japan, Taiwan and South Korea. Imports from the US in 1984 amounted to $3.1bn, or about $577 per capita. This compared with per capita sales averaging $172 in the European Community, $198 in Japan, and $312 in Australia.

Even though it is a market of just 6m people, it is the US's second largest export destination for cigarettes (worth $147m in 1984) and oranges (worth $52m). Hong Kong's electronics industry imports a large share of its components from the US, while almost $390m of US-made computers and computer parts were imported last year.

All of this takes no account of the importance of Hong Kong as an entrepot for US exports to mainland China, and as an operations base for US banks and corporations active in China or elsewhere in Asia.

In the first nine months of this year, trade between Hong Kong and the US fell by 0.7 per cent on the corresponding period of last year to $8.76bn. This is in sharp contrast with a 26 per cent rise last year.

In answer to US complaints that Asian countries do not buy enough US goods, Hong Kong trade officials have a simple answer. "With no tariff walls, it's a matter of quality and the price being competitive," one official said. "If these are right then there is nothing to stop US traders making infinite gains."

US manufacturers insist that the problem lies with inflation rather than the strength of the US dollar or other domestic economic factors.

Mr George Bush, US Vice President, recently visiting Hong Kong, made the sort of response that cynical local exporters have come to see as unhappy reality. "If the protectionist tidal wave comes rolling through the Pacific, it is unlikely to distinguish the innocent from the guilty," he warned.

Whether President Reagan lives by his promises to fight against the tide by vetoing the Jenkins Bill, or decides to swim with it is something which will be closely watched in Hong Kong and, indeed, throughout the Asian region.

China warns on Japan trade

BY ROBERT THOMSON IN PEKING

A CALL for increased but better balanced trade between China and Japan has been made by Zheng Tuobin, China's Minister for Foreign Economic Relations and Trade.

In an interview in People's Daily he warned that if the trade deficit between China and Japan continued to widen and China was unable to bear it, it would inevitably affect the long-term and stable development of Sino-Japanese trade.

The trade deficit between the two countries was $2.3bn (£1.6bn) in the first half of this year and was, said Mr Zheng, "still developing."

Zheng said the deficit had become unreasonably high because imports of consumer durables had increased too quickly: "We have adopted or are adopting measures to solve the problem," he said.

Zheng also condemned Japanese restrictions on the export of products, such as raw silk, satin, and some farm produce.

It would be easy for the Japanese to increase imports of oil and coal in the near future, he said.

"It is also hoped that Japan will co-ordinate with China to develop China's export of industrial finished products," he said.

Ford wins E. German car deal

BY LESLIE COLITT IN BERLIN

FORD OF Europe has made a breakthrough in Eastern Europe with a contract to deliver its Escort car to East Germany.

The state government of Saarland in West Germany said the cars would be produced at Ford's plant in Saarlouis. It said a figure of 10,000 cars was "realistic," but had not been "firmly agreed" with Ford.

East Germany has held talks with several major western car makers to buy a large volume of cars. It has been unable to obtain enough Soviet-built Lada cars in recent years, which Moscow has mainly supplied to the Soviet market and the West.

East Germany has also agreed to buy 900,000 tonnes of coal from Saarland. A state economics official said its trade with East Germany would rise to DM 200m (£74m) this year, from DM 50m last year.

East Germany imported 10,000 VW Golfs in 1977, its first large purchase of cars from the west and since then it has imported small quantities of Mazdas, Fiats, Citroens and Peugeots, as well as a fleet of Volvos for government use.

In 1984 East Germany concluded a DM 600m deal with Volkswagen in which VW is supplying equipment for an engine assembly line to produce 300,000 units a year

Ariane in Luxembourg TV deal

By David Marsh in Paris

ARIANE, the European space rocket, will launch in 1987 a Luxembourg television satellite which could provide a rival to France's direct broadcasting satellite, TDF-1, due to be placed in orbit next summer.

Societe Europeenne des Satellites (SES), the Luxembourg company set up this spring to carry out the Grand Duchy's space broadcasting plans, has signed a contract with Arianespace, the French-led company commercialising Ariane flights. It envisages a launch in April or May 1987.

The SES satellite, being built by RCA of the US, will carry 16 TV channels with a 45 watt power output per channel. With a capacity to be received by antennae of 0.9 to 1.2 metres in diameter across a broad swathe of western Europe, the Luxembourg satellite could provide direct competition to the four-channel, high powered TDF-1 satellite scheduled to be launched next July.

The signing of the contract marks a landmark in several years of wrangling between France and Luxembourg over rival satellite projects. Partly because of French opposition, Luxembourg abandoned last year its project for a US-backed satellite project, which had been under study by the Coronet grouping.

France has still not agreed financing and programme details for the TDF-1 spacecraft. This partly reflects continuing doubts over whether the Compagnie Luxembourgeoise de Telediffusion, the Grand Duchy's broadcasting group, will cooperate with TDF-1.

The SES order gives Arianespace an order book worth FFr 7.1bn (£622m)

EEC acts on transport market

By Paul Cheeseright in Brussels

EUROPEAN COMMUNITY transport ministers have promised to create a free market, without quantative restrictions, by 1992 at the latest. This is in response to the demands of the European Court of Justice.

Last May the court found that the transport ministers were in breach of the Treaty of Rome for not taking action to secure the free provision of international transport services.

The declaration, made by ministers meeting in Brussels, is in line with the instructions handed down from the last summit meeting of Community leaders at Milan in June. It is part of a wider march towards the creation of a free internal market.

The creation of a free market for road haulage has long been an aim of the British and Netherlands governments.

But for Community transport ministers the gap between pledge and practice has often been too wide to cross. So complex negotiations are likely before the transitional period begins.

The existing system of controlling road haulage traffic by using bilateral quotas is to be replaced by enlarging the Community quota, which covers only some 7 per cent of road haulage. With a permit from this quota, a driver can pick up and unload cargoes anywhere in the Community.

Discussions among the transport ministers showed that there was little immediate prospect of an agreement to liberalise air services, but that some elements of a common shipping policy could be in place by the end of the year.

SHIPPING REPORT

Tanker market buoyant but dry cargo rates fall

BY ANDREW FISHER, SHIPPING CORRESPONDENT

IT WAS AGAIN a week of greater buoyancy in the tanker market and depressed spirits on the dray cargo scene, where rates eased further. Increased activity and rates were reported for all tanker sizes in loading areas around the world.

The sharp rise in the rate of scrapping last month has helped the tanker market. E. A. Gibson Shipbrokers calculated that the total of laid-up vessels fell by nearly 5m deadweight tons to 43.8m dwt in the four weeks to mid-November.

Large tankers operating in the Middle East benefited from the heightened activity, and there are less than 10 such vessels available for loading in November.

Galbraith's, another London shipbroker, reckoned rates would stay higher and not return to the very low levels of this summer. Oil company restocking with the approach of winter in the northern hemisphere seems to be one reason for the improved business.

Most dealings in the Gulf were concluded privately, but reports suggested that vessels of 220,000 dwt and 245,000 dwt achieved rates of Worldscale 42 and slightly more for voyages to the Far East, a few points better than in recent months.

The rise in tanker rates also gave a lift to the sale and purchaset market. Three VLCCs (very large crude carriers) were sold and interest was also shown in smaller vessels.

World Economic Indicators

INDUSTRIAL PRODUCTION (1980 = 100)

					% change over previous year
	Sept 85	Aug 85	July 85	Sept 84	
US	114.8	114.9	114.3	113.5	+1.1
UK	109.1	107.5	107.2	103.3	+5.6
	Aug 85	July 85	June 85	Aug 84	
Japan	122.8	124.4	122.3	117.9	+4.2
W. Germany	103.6	107.9	103.3	99.9	+3.7
France	102.5	101.9	100.1	100.7	+1.8
Italy	97.4	95.0	100.6	98.6	−1.2
	July 85	June 85	May 85	July 84	
Belgium	102.3	107.2	102.4	100.7	+1.6
Netherlands	101.8	104.9	101.9	99.9	+1.9

Source (except US, UK, Japan): Eurostat

TECHNOLOGY

EDITED BY ALAN CANE

Laser systems that cut through costs

Peter Marsh looks at a company that is showing others how to automate

THE IDEA of cutting metal with laser systems as opposed to conventional pressing tools is gradually catching on in British industry.

While such companies as Ferranti and Coherent are making headway in selling carbon-dioxide lasers for this job, several smaller companies have set up either to do sub-contracting work based on laser cutting or to assemble automated systems that use laser devices.

Mr Olavi Laos, systems sales technical director of Laser Scientific Services, a small laser company in Huntingdon, suggests that laser cutting can prove more cost effective than conventional pressing tools either when high accuracy is required or if a manufacturer requires items cut from metal sheet in small batches.

Laser Scientific, set up five years ago by Mr Bryan Green, chairman and managing director, in partnership with Mr Laos, has annual sales of about £2m and employs 36 people. Half the sales come from sub-contracting work for industry based, for instance, on the company's use of CO_2 lasers made by Coherent, a big US laser company which has a British base in Cambridge.

The rest of Laser Scientific's revenue is a result of sales of complete laser systems. A system for the engineering industry could cost £150,000. It would comprise a CO_2 laser made by Coherent of perhaps 800w, a beam delivery system to guide the light from the laser to a piece of metal to be cut and the key to the complete piece of equipment, a computer controller to ensure the laser cuts in a prescribed way.

The controller would be programmed initially by an engineer using a keyboard and display screen. This is in much the same way as a technician gives software instructions to a conventional computerised machine tool for a job such as cutting chunks of metal from a solid block.

Laser Scientific uses controllers made by such companies as Aerotech and Anorad of the US, Heidenhein of West Germany and Micon Systems, based in Basingstoke.

Laser Scientific's strategy is to introduce companies to laser cutting first by doing sub-contracting work. Later, it may try to sell the company a complete laser system.

For instance, it has done jobs for Hunting Engineering of Ampthill, Beds, an aerospace company involved in work on the Tornado military aircraft. Cutting out complex shapes from aluminium sheet with a laser to high accuracy has proved a better solution than stamping out the shapes with pressing tools.

Mr Laos says a laser beam can cut out shapes with an accuracy of perhaps 20 microns (millionths of a metre). Such high accuracies may not be needed in general engineering but can be required in aerospace work where, for instance, parts have to be fitted together to extremely tight tolerances.

Pressing tools can give high accuracies when new, but their performance falls off once the tool becomes less sharp after it has been in use for some time. A laser cutting system represents a high capital investment, but it does not require new tool shapes for different cutting jobs. As a result, a manufacturer can save on running costs and may find that laser systems are useful for small runs of products.

Mr Bryan Green, managing director of Laser Scientific Services, with Mr Olavi Laos and Mr Bill Tutte, technical directors, beside a laser machining centre.

Among the companies to which Laser Scientific has sold CO_2 systems are Flexitallic, a subsidiary of Turner and Newall, which uses the laser to shape pieces of material for engineering gaskets. NEI Parsons, the turbine manufacturer, is buying a system based on several work stations which will cut metal needed for the blades in steam turbines. In this equipment, a 800w laser will send pulses of radiation (of peak powers of 4-5kw) via beam guides to cut out the intricate shapes required.

K Shoemakers of Kendal, Cumbria, has bought another system, based on a 50w laser for cutting cardboard patterns used in shoemaking. The company found this was a better option than the decades-old technique of shaping the cardboard by hand.

Laser Scientific branched into engineering systems after initially concentrating on relatively low-power solid-state lasers. These neodymium-YAG devices are used in the semiconductor industry to cut pieces of ceramic from which are made thin-film electronic devices. Laser Scientific has sold about a dozen systems based on these lasers.

Customers include AB Electronic, Marconi Electronic Devices and GEC's Hirst Research Laboratory, London.

Another use for laser cutting devices is working on new materials which may be too hard and tough for shaping with orthodox machine tools. For instance, Laser Scientific (in which Newmarket, a venture-capital company has a 25 per cent stake) has worked during subcontracting jobs on such new plastic materials as Kevlar.

The most challenging job that Mr Green can recall was being asked by Mars, the confectionary company, to cut up chocolate bars in a sweets factory. Unfortunately, the beat from the laser caused the chocolate to melt and the job came to nothing.

A more promising idea is to cut sheets of lasagna using a laser. Mr Green says that the characteristics of this kind of pasta are barely changed as a result of the localised heating the laser introduces.

The food company for which the Huntingdon concern did a feasibility study found, however, that on cost grounds the laser could not match the centuries old method of snipping the pasta with a knife or scissors.

Software 'the key to parallel processing'

A RADICAL solution to the problems of artificial intelligence, trying to get computers to deal with the overwhelming complexities of the real world, could be the outcome of a programme in parallel processing just started at Stanford University, California.

However, instead of building new hardware, the Stanford researchers are flying in the face of conventional wisdom and are seeking how to achieve large increases in computing power simply with software running on existing computers.

It is widely agreed that to get computers to be able to see, move about, and understand human language, enormous increases in processing power will be necessary. The only way to achieve this is by processing in parallel many items of data at once rather than in sequence as in conventional computing.

Several large projects are under way to build new computer hardware of exotic design specifically for parallel processing. Notable examples are at Britain's Inmos and Thinking Machines Inc at the Massachusetts Institute of Technology.

According to Professor Edward Feigenbaum at Stanford and his colleagues, however, these efforts are missing the point: the problem in parallel processing is not hardware but software, to do with the organisation of the task and the data.

Professor Feigenbaum has become famous as one of the leading authorities on expert systems, programs that do the jobs of such people as doctors, accountants or oil geologists. His new project expert systems for multiprocessor architectures, aims to find a way of processing in parallel with Lisp and Prolog, the languages most commonly used for constructing expert systems.

The Stanford team aims to speed processing by between 100 times and 1,000 times. This will, they hope, be done not with one big breakthrough but several small ones. Professor Feigenbaum said: "You don't have to be very smart to get a speed-up factor of five and if we do this right, at four different levels, the factors will multiply and we will get an improvement of five times five times five times five. If we do it wrong they will add, and that's a loser."

A central part of the Stanford effort is the newly popular idea of a "blackboard," a technique for getting several different expert systems, or "knowledge bases," to co-operate by exchanging information. These can work together relatively in parallel, although not totally. Professor Feigenbaum said: "We must learn a new style of building expert systems using the blackboard framework."

The Stanford ideas will initially be run in simulation on a Symbolics computer, a type specially designed for handling words rather than numbers. When the concepts have been proved, it is expected they will run for real on a network of such machines, with two processors at each node. Each processor would be fairly powerful, with plenty of memory, and there could be 1,000 or more of them. This contrasts sharply with the ideas of Thinking Machines at MIT, where the connection machine under construction is intended to have 1m processors, but each one very small.

Inmos in Britain is also developing its transputer as a building-block for parallel processors. But the emphasis is on hardware, not software.

RORY JOHNSTON

Harwell seeks 'pure' microchips

THE Harwell Laboratory in Oxfordshire is to start a research programme to track down sources of uranium and other elements in microchips that can cause catastrophic failures in electrical equipment.

The failures go under the name "soft errors," sometimes known in semiconductor jargon as single-event upsets.

They are the result of small levels of radioactivity in impurities of elements such as uranium and thorium. The elements are naturally present in the materials used in microchips and their packages.

Alpha particles (positively charged helium ions) from the radioactive materials release electric charge into the circuit elements of the microchip, so altering the contents of memory cells or introducing errors into electronic computations.

The effect can be disastrous. For example, engineers have traced to soft errors computer failures that have led to shutdowns in process plants.

In collaboration with companies from the electronics and process industries, the Harwell Laboratory is to start a soft errors research club to investigate the problem. The club could determine the maximum levels of radioactivity that can be tolerated in an integrated circuit.

The research programme will extend a technique developed at Harwell which can detect the presence of uranium in minute quantities. Fission track autoradiography, which can measure uranium in concentrations as little as two parts per billion, monitors the products of the nuclear fission reaction involving the uranium-235 isotope of the element.

Specimens of semi-conductor materials are coated with polyamide film and irradiated with neutrons. The resulting fission particles are registered as tracks on the film, which is developed chemically and microscopically inspected to determine the precise amount of uranium present.

The Harwell programme will investigate the extent of impurities in materials such as silicon and gallium arsenide used in integrated circuits. It will also examine the plastic packaging materials used in microchips. Companies that join the research club will have to pay an annual membership of £11,000 to gain access to the results.

This new activity at Harwell builds on the research clubs the laboratory already administers. Harwell runs about 20 such clubs, working on such techniques as waste management and sensors.

PETER MARSH

Alternative to bar code system

VISION INTELLIGENCE, a new company based in Bordon, Hampshire, aims to sell novel image analysis systems that could be used in the packaging and retail industry.

Such equipment could be based at supermarket checkouts or in warehouses to read labels using ordinary characters printed on goods. The innovation could be an alternative to using bar codes as a medium to carry information about, for instance, the price of goods in stores.

Vision Intelligence has taken over the work of British Robotic Systems, formerly owned by the British Technology Group. Other products under development include crack detection equipment, for use in the car and aerospace industries, and inspection hardware for production lines.

Vision equipment is based on cameras that capture details about items and relay the information to computers that make sense of the images.

● The US Automated Machine Vision Association has published a glossary of terms used in the industry, which covers such areas as automated inspection and providing vision to industrial robots.

The document contains about 700 terms and is available (price $9) from the association at PO Box 1366, Dearborn, Mich 48121.

Shell cracker

DELWIN, of Southall, Middlesex, is selling a range of automatic egg-breaking machines that can smash up to 21,600 eggs a minute.

Eggs are lifted by a vacuum device from trays and transferred by rollers to cutting machines that crack the shells. A conveyor transports yokes and whites separately from the shell fragments. The machines can be used in baking plants and in the food and drink process industries.

THE UNITED NATIONS

Tasks for the years ahead

BY BRIAN URQUHART

DURING THE recent 40th anniversary celebrations, the United Netions got mixed reviews. Outside the UN many pointed to the shortcomings and disappointments of the organisation's first 40 years, but few prescribed convincing remedies. At tha UN itself an unprecedented gathering of heads of stata and government—86 in all, plus 115 foreign ministers—ettested both by their presence and in their speeches to the importance they attach to the world organisation and to making it more effective in the future.

As often happens, the multiplicity of speeches tended to obscure their high quality and the practical proposals which were made. Although the imminent Reagan-Gorbachev summit loomed larger than life at the celebrations, underlining the fundamental importance of the US-Soviet relations, the event was a decided—perhaps unexpected—success.

What is the United Nations at 40, and where is it going? The organisation is certainly nothing like what its founders envisaged at San Francisco. It has more than three times the membership, the scope of its work has widened and changed, and the antagonisms of the great powers, whose unanimity was supposed to be the driving force of its collective security system, in fact present the greatest potential danger its members face. What then are its achievements?

First of all, it is a nearly universal organisation which no state has ever wished to leave. This, in itself, is something new. It has played an important role on many occasions in heading off a confrontation between nuclear powers which could well be the terminal world war. It has in critical times served, perhaps more often than the governments concerned like to admit, as a safety net, a last resort, a dignified method of turning away from fatal confrontations.

The UN's performance in the maintenance of international neace and security has, none the less, been uneven. It has, however, managed to formulate basic positions on a number of highly complex issues, the Middle East and Namibia to name only two. It has been effective, when properly used, as an instrument to head off disastrous escalations of regional conflicts, to contain insoluble problems and to provide a framework for negotiation, conciliation and good offices. It has also developed a new form of conflict control, peace-keeping—the use of military forces in a non-violent role—which has proved itself when the necessary degree of co-operation and realism has animated the conflicting parties. This technique, imaginatively strengthened, could play a much more important role in future conflicts.

The Security Council does not, however, as yet provide a consistent and effective system of collective security and peaceful settlement of disputes which might limit conflict and eventually provide the conditions for disarmament and arms control. This is perhaps the most serious failure of the member-governments so far — a failure of will, of leadership and of confidence.

The vast historical revolution of decolonisation has taken place with surprisingly little violence. The role of the UN as a catalyst in this process has been of great value both to the former colonial powers and to the newly independent countries. The UN is now the main forum for the multifarious and very complex adjustments in political, economic, social and even military relationships which the vast upheaval of decolonisation demands.

The technological revolution and the doubling of the world's population have presented challenges that were unforeseen 40 years ago. The UN has responded with a massive effort to secure co-operation and common approaches to so-called global problems, such as development, the environment, netural resources, population, water and many others. Some of these efforts have succeeded in raising consciousness and promoting national responses in line with international guidelines. If a decline into chaos and despair is to be avoided, these efforts will have to be intensified and strongly supported ecross the constantly widening range of problems which no government can tackla on its own. The debt problem, tha drug crisis and terrorism have recently joined the list of global problems. There has also been considerabla progress in the organisation and co-ordination of international response to great humanitarian disasters.

Thare has been much pioneering work on human rights, a concept which, at the very least, no government can now ignore. In the past 40 years more international law has been codified, mnch of it under the auspices of the General Assembly, than in all previous history.

Many other aspects of the organisation's work could be mentioned. Obviously, an enormous amount remains to be done. The Secretary-General, whose responsibilities have grown out of all recognition in 40 years, can and does play an essential role. Above all, the necessary mutual confidence, a minimum sense of trust and security, and the habit of co-operation all need to be developed if tha Charter system is to become the great framework for peace, justice and progress which its founders intended it to be. Many leaders spoke in urgent terms of these matters at the anniversary celebrations. The coming years will show if the member governments can indeed muster the will, the determination and the courage to make their world organisation work.

Mr Urquhart (above), who has been Under-Secretary-General for Special Political Affairs at the United Nations since 1974, announced last week that he would retire in January. He was the second person to be recruited for the world body's staff when he joined it in 1945 and has long been the leading British figure in the UN Secretariat

BELIZE

Planting oranges in a giant forest

THE ONLY way Barry Bowen can survey his land is from an aeroplane. Even then, the property stretches beyond the horizon; mile upon mile of tropical forest that engulfs the landscape of Belize in a monotonous carpet of green.

"I get excited every time I look at this," says Mr Bowen as he banks his twin-engined aircraft over the tree tops that rise 90 foot from the forest floor. Since he bought the estate in 1982 he has had many dreams. And well he might. The Hill Bank Estate covers over 700,000 acres, which is 13 per cent of Belize and the largest undeveloped private property in Central America.

Now one of his dreams is about to come true.

With what one admiring colleague called "nerves of steel," Mr Bowen has pulled off e remarkable deal. He has persuaded Coca-Cola Foods to buy into the estate, investing up to $120m in e venture to plant citrus for orange concentrate exports. This investment dwarfs Belize's operating budget and is the largest commitment by American capital under President Reagan's Caribbean Basin Initiative (CBI).

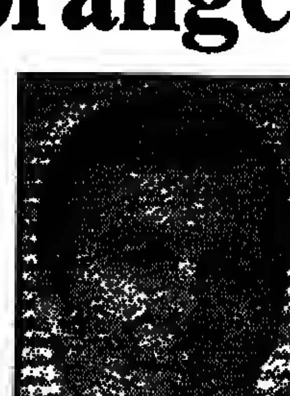
The deal offers an unusual insight into the metamorphosis of a country's resources. The land that Coca-Cola Foods now proposes to develop for citrus was the source of Belize'a colonial wealth—timber. It is all forest bnt once cultivated as the hundreds of Mayan ruins attest, now reduced to shapeless mounds hidden beneath thick foliage. Most of the timber trails have become disused with the decline of the business and this vast expanse is given over to an astonishing variety of wildlife from boars and jaguars to bowler monkeys, toucans and wild turkeys.

The story behind the deal could have been scripted for a Central American episode of Dynasty with Mr Bowen in a walk-on part, with his rugged 40-year-old executive looks, private aircraft, and island retreat that overlooks one of the wonders of the Caribbean. the huge barrier reef off the Belize coast.

Mr Bowen's family has been in Belize for 235 years, among the early settlers who came to pirate Spanish vessels and work the forests. His father founded a trading and small manufacturing company, Bowen and Bowen, in 1927. He joined the company after studying at Cornell University in New York State and built it up into one of the two leading local groups in Belize. Its activities centre on brewing with 90 per cent of the local beer market, and soft drinks. It is also involved in general trading, lncluding exports mainly to Mexico. Before moving into forest estates, Mr Bowen bought out all the members of his family, giving him full control.

"I had my eye on that company for some time," says Mr Bowen, referring to the Belize Estate and Produce Company (BEC). For many years this company *was* Belize. Formed in 1859 as the British Honduras Company, lt consolidated e uumber of mahogany interests that had found difficulty, fellowing the collapse of the *original* logwood industry, in making the change that was caused by the introduction of man-made dyes. The company assumed its present name in 1857 and incorporated more land. At its apogee BEC owned over 1m acres, or a fifth of the conntry.

Well before independence, BEC, which had become a subsidiary of International Timber, was lessening its ectivity. A boom from the sale of the Chicle tree fer use in chewing gum collapsed when an artificial substitute was found. This left mahogany as BEC's main resource. "The quality of the *mahogany was excellent*," says Mr Bowen. "But the Brazilians were able to prodnce much cheaper, and here it was necessary to go furthe• and further inland into the forest to find trees; and although they built a small gauge railway, it was difficult to get at the timber."



Robert Graham interviews Barry Bowen (left) whose timber company's deal with Coca-Cola could lead to major changes in Belize's export profile

Perhaps prodded by the uncertainties in the run up to independence and with Guatemala still vociferous in lts claim to the whole of Belize, Inernational Timber decided to sell out. The buyer was Mr W. F. Bellote, a U.S. businessman from Georgia with interests in Belize, who paid $4.3m.

In Belize, International Timber was reckoned *to* have sold out cheaply. However, Mr Bellote underestimated the tax penalties in uew legislation relating to unexploited land and soon found his liabilities accumulating.

Mr Bowen seized his chance, offering to buy BEC along with lts tax liabilities. The deal went through in 1982 for $7m, of which $2m covered back taxes. At the time Bowen and Bowen's net assets were around $22m with sales from the group of $35m. None of the local banks were prepared to back Mr Bowen who needed to raise nearly $6m for the purchase. *Finally the cash was raised in* Panama.

Mr Bowen bought BEC with a bold but simple idea in mind. He would clear the land and feed a new wood burning power station. Initially the power statieu would be fuelled by the wood cut during clearing, and subsequently from a newly planted fast growing species on 20 per cent of the area, the remainder of the fand being used for agriculture and agribusiness. In other words, fuelling a government-sponsored power station would pay for clearing the land. "Belize is desperately short of power; the land is ldeally located almost in the *middle* of the country and there is a great future for agribusiness," he says.

He then proceeded to hombard the Government and lobby international institutions, including the World Bank, to study the feasibility of the project and provide finance. Several times the scheme came close to getting off the ground but government worries about finance and feasibility led to changes and delays. Having borrowed in the expectation of early movement on the scheme, Mr Bowen found himself in difficulty over servicing the Panamanian loan.

At *this point Mr Bowen* contacted Coca-Cola. Bowen and Bowen had had the Belize franchise since 1960, and Mr Bowen had a good working relationship with the company. He went to their foodstuffs *division* in Houston with a proposition for an agri-business venture.

Coca-Cola Foods had been taking a hard look at the future of the fast growing orange juice business for their brand, Minute Maid. Traditionally, Florida citrus growers had been the source of supply but the expanding market had led to increased dependence upon imports bought as concentrate from Brazil.

Coca-Cola had already looked at Egypt and Costa Rica as potential sources of diversified supply but the best prospect *seemed to be Brazil* with its $1bn orange concentrate and juice export industry. Belize and Mr Bowen's offer of virgin forest land became the joker in the pack.

According to Mr Bowen, it took a lot to convince U.S. businessmen that investment on a large scale was feasible in Belize, many not even knowing where it was. He once told a U.S. business conference that Belize was part of Africa and watched many heads nod in agreement. Having convinced Coca-Cola executives that Belize was a stable democracy capable of protecting foreign investment, the attractions became more apparent. The main one was that the concentrate could enter the U.S. duty free under the CBI rules introduced in 1984—Brazilian concentrate on the other hand is subject to duties. In addition there would be savings in transport costs and time. For instance a special tanker costing $70m ships the concentrate from Brazil in 12 days; while a small vessel costing $5m could ship the commodity from Belize in three or four days with little likelihood of demurrage charges.

Although Belize wages are marginally higher than those in *Brazil, it is* reckoned that, overall, $2 a box of oranges can be saved. If Coca-Cola develops 50,000 acres of citrus, it could save $40m to $45m a year on the current cost of imports from Brazil, believed to *be* around $220m.

With these calculations in mind, Coca-Cola started negotiations to buy land and began to test soil. But the pace of negotiations was forced by another disastrous winter for Florida growers and the realisation that not only some of the old trees were disease-ridden but canker was affecting seedlings in nurseries. Mr Bowen was desperate for a deal since he was threatened with imminent foreclosure on the $6m loan, which had financed the BEC purchase. Agreement with Coca-Cola foods was reached in principle in March. Since then, it has gone through a number of changes until finalised last month.

Coca-Cola has directly acquired 50,000 acres of forest land on the BEC estate about 40 miles inland from Belize City, to be used for citrus. In a separate arrangement Coca-Cola, along with two Houston businessmen, Mr Walter Mischer of Allied Banks and Mr Paul Howell who has oil refining interests, has taken a 60 per cent stake in the remainder of the BEC estate (nearly 600,000 acres). In return, Mr Bowen has been paid $6m, lifting the threat of foreclosure, and, apart from retaining a 40 per cent stake in the bulk of the BEC estate, has 50,000 acres of forest land of his own.

For Coca-Cola everything now depends on whether the soil and climate turn out to produce the crop expected. Citrus is grown further south and close to the coast at Stann Creek where the climate is slightly wetter. Two small concentrate plants have been set up, one of them linked to Nestle.

If the project is successful, orange concentrate will be Belize's main export within a *decade providing over $200m* a year. The investment also compensates Belize for the decline of its sugar industry and the virtual withdrawal of Tate and Lyle, which since the 1960s has been the biggest foreign investor.

What will happen to the bulk of the BEC forest land is still in doubt. "There are up to 80 to 90 broad feet of mahogany in there," says Mr Bowen who would like to see some of the timber trade preserved. He still believes in the idea of a wood burning power station with the forests supplying the fuel. But the bottom line on *development is the inaccessibility of this vast* tract of land. It possesses only a few timber *trails*, a disused narrow gauge railway and a tiny airstrip

On his own stretch of the forest Mr Bowen has begun to make some demarcation clearings with freshly hired labour. Led by the traditional "hunter," the man whose skill knows how to locate the mahogany trees, they are clearing small tracts to test the soil. "I want to experiment with cocoa," he says. "We could also start exploiting the existence of these Mayan ruins." And to make the point the hunter is instructed to show some nearby Mayan ruins unknown to archaeologists. Four huge mounds positioned in e rectangle rise in the opaque light towards the roof of the jungle. And here the businessmen and romantic mix as the hunter produces a slim root he has cut about the length of a broomstick. Tipping it up to his month, water drips as though from a pipe. Mr Bowen says: "The purest water in the world." It tastes light, cool and woody.

APPOINTMENTS

Renshall appointed as ASC vice-chairman

THE CONSULTATIVE COMMITTEE OF ACCOUNTANCY BODIES has announced that Mr Michael Renshall, a partner in Peat, Marwick, Mitchell and Co, has been appointed vice-chairman of the Accounting Standards Committee (ASC) with immediate effect. Mr Renshall has been a member of the ASC since September 1 1984.

*

Mr John Preston, the marketing and sales director of AMERICAN CAN (UK), has been named as commercial director of the company. While retaining his marketing and sales function, Mr Preston now also assumes the responsibility for purchasing, materials management and distribution which was previously that of Mr Ronnie Akins, who now devotes his full time to the rapidly expanding TRIFID Software Division.

*

Mr John M. Beeman has been appointed chairman of BOWRING PROFESSIONAL INDEMNITY, following the resignation of Mr W. H. Batchelor from the Boards of Bowring UK Ltd, and Bowring Professional Indemnity Ltd.

*

Mr J. A. Beard has been appointed a director of KING AND SHAXSON, and managing director of KING AND SHAXSON SECURITIES.

*

Mr J. M. A. Paterson is to stand down as chairman of BETEC on January 1, but will remain on the board as a non-executive director. Mr J. S. M. Jones will take his place as chairman and Mr W. J. Dunbar will become group managing director. These changes will also take place on January 1.

*

Mr Roy Hardcastle has been appointed UK Sales and Marketing Director of HERMAN MILLER, the leading systems furniture manufacturer. Mr Hardcastle, formerly of Hewlett Packard, replaces Mr Cary Vinson who leaves to form the Docklands-based FACILITY GROUP which will incorporate Herman Miller's first London dealership.

*

Mr Alan Butler, the managing director of Communications Strategy Ltd., is to be the new chairman of the PUBLIC RELATIONS CONSULTANTS ASSOCIATION (PRCA), a national trade association with 123 members and 17 associates. Mr Butler will take up the position on Thursday, in succession to Mr Douglas Smith, a specialist in parliamentary and public affairs, who has been PRCA's chairman since May of last year.

*

Mr Matthew Finlayson and Mr William G. Thomson have been appointed directors of THE PENNYCOOK PATENT GLAZING AND ENGINEERING CO Ltd, the Glasgow-based patent glazing design and manufacturing subsidiary of RUBEROID CONTRACTS LTD. Mr Finlayson will continue his role of general manager of Pennycook to which he was promoted in 1983 after joining the company in 1976 as development manager. Mr Thomson will operate as Contracts Director, and continue as Scottish area manager of Ruberoid Contracts Ltd, responsible for roofing, cladding and patent glazing activities.

*

Mr Paul Tuffield, formerly creative director of McCann-Erickson in the Far East, Middle East and Africa, returns to London to join INTERNATIONAL PARTNERSHIP, the Mayfair-based advertising agency. His international experience includes such accounts as Unilever, General Motors, Toyota, Nestle, Kodak, Yellow Pages, Harveys Bristol Cream, Nabisco and the Singapore Government.

*

Mr John Cable has joined the partnership of E. A. COLEMAN & CO, stockbrokers, as the London partner. He will be responsible for private client and institutional stockbroking business. Mr Cable was previously a partner in the Birmingham stockbroking partnership of Griffiths and Lamb.

*

HARVEY PLANT has appointed Mr Philip O'Dell (national operations manager) and Mr George Inch (national sales and marketing manager) as executive directors. Harvey Plant is jointly owned by Lex Service and Lombard North Central.

CONTRACTS

Finland to buy Ferranti message handling system

Under a contract worth well over £500,000, FERRANTI COMPUTER SYSTEMS is to supply the Finnish Board of Aviation with an aeronautical fixed telecommunications network (AFTN) message handling system. This system will form part of the International Civil Aviation Organisation (ICAO) worldwide network transmitting messages related primarily to the safety of air navigation. The contract includes supply of a national switch centre at Helsinki Vantaa Airport and the first of a number of regional switching sub-centres. Each of the sub-centres will act as a switching concentrator for messages transmitted from AFTN terminals within a region. Ferranti will also supply PC 860 personal computers to operate as intelligent AFTN terminals. These IBM, PC-DOS compatible PCs provide many advantages over conventional teletype terminals including off-line local computing and message preparation.

The system will allow the main centre, sub-centres, and local/remote terminals to communicate with one another via the Nordic Public Data Network as well as the conventional slow speed AFTN leased circuits and telex circuits.

NEI INTERNATIONAL COMBUSTION has won a £300,000 order for a Cochran Coalmaster boiler associated plant from Asahi Synthetic Fibres of Killala, Eire. Due to be delivered early in 1986, the contract also includes two Triumph chain grate stokers, ash and coal handling equipment, and associated instrumentation and controls. The boilers will be made at the Cochran unit of NEI International Combustion, Annan, Dumfriesshire. NEI International Combustion is based in Derby and part of Northern Engineering Industries.

*

British Steel has awarded GEA *SPIRO-GILLS*, Pulborough, a contract for an engineering study for waste heat recovery at Port Talbot iron works. Recovered heat is expected to be transported over 400 metres by one, or possibly two, thermal fluid circuits, from the sinter plant to the blast furnaces. GEA claims that about 30 Mw of heat could be recovered from the sinter plant, where exhaust levels reach 350°C. Recovered heat would be used for pre-heating blast furnace gas and combustion air for the blast furnace stoves.

Paul Betts on the West German engineer's French connection

Lurgi warms to Soviet gas deals

MR DANIEL FISCHER, the bead of the French subsidiary of Lurgi, the West German project engineering group for the past 12 years, has been spending an increasing part of his time wining and dining visiting Soviet trade officials in Paris.

Mr Fischer bas been building up e major business for Lurgi's French subsidiary with Moscow. His success bas been such that Freoch competitors and government officials have described the subsidiary as the Trojan Horse in France of the West German engineer—itself owned by the Metallgesellschaft mining and metal processing group—for doing business with the Soviet Union.

The Trojan horse claim is rejected by Mr Fischer eince his company, which employs about 150 people in France, relies heavily on subcontracting to domestic, mainly medium-sized companies to belp it complete large international turnkey orders. But he acknowledges that Lurgi has identified a promising long-term business in supplying from its French base gas treatment plants end eventually other facilities to the Soviet Union.

Lurgi woo a FFr 1.3bn ($162.5m) order this year to build the Tenguiz gas and oil treatmeot plant after fierce competition from the French Government and Technip, the troubled French project eogineering group, which were after the Soviet contract. Instead, Technip was awarded at the same time a FFr 2.7bn contract to build the Astrakhan II gas processing plant.

The pressure that the French government put on the Soviet Union to award the Tenguiz contract to Technip as well was reflected by the fact that Lurgi had already signed a letter of inteot for Tenguiz back in April 1984 and had to wait until March this year to have the order confirmed.

Lurgi is now after an even bigger gas treatment project in the Soviet Union. It involves the Karacheganak 12bn cubic metres a year treatment facility to be built in two stages at a total cost of between FFr 10bn-FFr 12bn. The Soviets are expected to decide on the order in 1987, but it is likely to go to a French-based group. The Karacheganak contract is part of a series of more than 20 major projects which tha Soviet Union has indicated could interest France.

During the recent session of the Franco-Soviet economic commission, which met during the state visit to Fraoce last month of Mr Mikhail Gorbachev, tha Soviet leader, Moscow sought to reassure France that it would try to redoce the curreot trade imbalance between the two countries by placing more orders for French goods and eqnipment.

France's trada deficit with the Soviet Union has been growing because of the large French purchases of Soviet gas, which are due to contimue rising in coming months with the latest Soviet gas supply contract gradually coming on full stream. As a result of its large gas supplies and the soft energy market situation, the French Government bas argued forcefully for a greater commitment from Moscow to order French goods.

Mr Fischer: wining and dining Soviet trade officials

Gas process engineering was clearly a prime growth sector of future business for France with Moscow.

"The Soviets are in a sense virtually condemned to award contracts to French industry, especially for gas plants," says Mr Fischer.

Lurgi'e position in France has also been indirectly strengthened by the decision of Technip to take over Creusot Loire Entreprise (CLE), the process engineering subsidiary of the bankrupt Creusot Loire industrial group. The Soviet Union, like other countries, has never beeo keen to rely on one principal contractor and bas preferred to spread the deals around e number of groups. Before the Technip-CLE merger there were two Freoch process engineering groups competing for the same sort of Soviet business. Now Lurgi has been able to fill the gap opened by the CLE takeover.

In spite of the problems of the oil and beavy engineering market, Lurgi has continned to see its profits and sales rise steadily in France. However, while tha subsidiary initially relied on the domestic market it has seen the weight of export sales rise to an overwhelming 90 per cent of annual turnover. Mr Fischer explains that Lurgi's French subsidiary concentrated et the beginning on essentially three domestic markets including the chemical industry, the steel industry and Electricite de France (EdF), the electricity utility. Mr Fischer feels that relying so beavily oo exports is not altogether "healthy" and be wants to try to restore a little more balance between domestic and foreign sales. This could be helped by an eventual recovery of orders from the French chemical industry.

The French subsidiary'a order book oow totals FFr 2.8bn and sales are expected to amount to FFr 738m this year and rise to FFr 1.2bo next year. Mr Fischer is more discreet about his subsidiary's earnings but be acknowledges that the Freoch company is the most profitable foreign subsidiary of Lurgi.

InterFirst warns of cost cuts threat to jobs

BY MARY FRINGS IN BAHRAIN

INTERFIRST, the 19th largest US banking group and secood largest in Texas with assets of $21bn, is planning to reduce staff in an effort to cut costs and improve performance.

Mr Joseph Bowles, corporate communications manager, confirmed that across-the-board cost controls in the group's 68 independently chartered banks would inclnde some layoffs among the 10,200 staff. But there was no predetermined number and the savings to be achieved would not be known until next year, he said.

The cuts were not related to any new loan losses or unpleasant surprises, Mr Bowles added.

InterFirst's net income of $47.4m (71 cents per fully diluted share) for the first nine months of this year included a $55.7m non-recurring gain from the sale of a tower block in downtown Dallas during the first quarter. But this gain was offset by higher loan loss provisions.

The burden of the bank's mainly energy related non-performing assets has shrunk only slightly over the past year, from $799m (5.30 per cent of loans outstanding) to $787m (5.12 per cent). Although return on average assets has apparently declined from 0.66 per cent to 0.30 per cent the 1984 figure included a $70m gain on another building sale which was taken into earnings, and the bank has maintained dividends at last year's rate of 60 cents per share.

Meanwhile, loan growth prospects have flattened for the once fast-growing bank holding companies in Texas. The state's economy has noticably slowed over the past year and unemployment at 8.1 per cent is now one percentage point above the national average.

InterFirst and First City Bancorporation have been the leaders in spectacular gift giving campaigns to boost deposits, offering anything from an Apple computer to a Cessna aeroplane for the purchase of a long-term jumbo CD. But almost all have implemented cost controls with Allied Bancshares cutting 368 people from its 3,800 workforce, and others simply not filling vacancies.

INTERNATIONAL COMPANIES and FINANCE

China's Southern Airlines faces take-off in strong crosswinds

David Dodwell looks at the problem of creating a new airline out of China's CAAC—regarded as one of the world's worst carriers—and questions whether it will improve services and boost competition

FOR CHINA'S Southern Airlines, the talking is almost over. For Zhu Deci, responsible for disentangling the new airline from CAAC, the country's national carrier, six rather hectic months lie ahead.

"Much of the work has been done," he said bravely. "All that remains is to separate the assets, personnel, equipment, facilities, and allocate responsibilities. I expect to be preparing our first set of annual reports this time next year."

Breaking up the inefficient CAAC, and separating its work as an airline operator from that as the country's civil aviation authority, has been difficult even by the complex standards of Chinese bureaucracy.

Some still doubt whether it will really ever happen. Critics say it will only be a cosmetic job, embellishing CAAC's external image without tackling the underlying inefficiencies that make it one of the worst airlines in the world. But to Zhu, a cool-headed accountant who has worked for CAAC in Guangzhou (Canton) for the past 36 years, the changes ahead are radical. They are rooted in Peking's keenness to galvanise efficiency by fostering competition.

Southern Airlines will be one of six regional carriers, responsible for an area stretching west to Guilin and north to Wuhan on the Yangtze river. The others will be based on Dalian in north-east China, Xian in the north-west, Shanghai in the east and Chengdu in the south-west, with Peking combining regional and international services.

The new airline is expected to be smaller than those based on Peking or Shanghai, and will operate its fleet for cargo and agricultural spraying services as well as for carrying passengers. It will have its own livery, and pay commercial rates for all of the airport services it uses.

In addition, airport management will be hived off from air traffic control and run on a commercial basis. Recent aircraft purchases have lifted the fleet to 12 Boeing 737s and six Tridents, as well as the ageing Soviet Antonovs and home-made Y-7s.

A fleet of helicopters link oil *rigs operating in the Nanhai* offshore fields with points on China's southern coast. New aircraft orders can be expected, but will have to be cleared by Peking, Zhu Deci says.

International routes, or routes linking Guangzhou and the other airports in the Southern Airlines region with others in China, will remain the responsibility of Peking, but internal route-planning will be based on proposals drafted by Southern Airlines. Guangzhou is asking for new routes to Qingdao in Shandong province, Changchun in Jilin, and Changzhou in Jiangsu.

One of the difficulties will be how to allocate profits. Peking will continue to regard the international flights transiting through Guangzhou to Sydney, Singapore, Bangkok and Manila as its own, and will take all of the profit generated from them. Earnings on flights between airports in the Guangzhou region and other parts of China will be shared between the two airlines concerned.

Whether the routes are profitable is another matter. Most of CAAC's international flights make money, but the domestic ticket price structure, coupled with the high cost of operating such a large number of ageing aircraft, means that most domestic flights need to be more than 80 per cent full to manage a profit.

"It's still a profitable business," Zhu says: "But profits are not high." He says 90 per cent of routes are profitable, but that the policy of keeping air-fares low means that some routes lose money even when aircraft fly fully-laden — and would lose still more if the frequency of services was increased to match demand more closely.

Profits come on the long-haul flights using the larger, fuel-efficient aircraft, and in particular on the "regional" flights to Hong Kong — which average three a day. This route is attractive not just because the Hong Kong-Canton corridor is a critical one for passengers entering and leaving China, but because a large proportion of passengers pay for their tickets in foreign exchange, and at internationally comparable prices.

Efforts to move more passengers on Southern Airlines will depend heavily on airport construction and expansion plans now at various stages of progress. Most important is a new terminal at Guangzhou's Baiyun airport. The present terminal handles an average of 8,000 passengers a day, and is stretched beyond capacity. A feasibility study is being prepared by Lockheed of the US. The terminal is expected to cost $10m, and will be operating in 1987, Zhu says.

An airport is under construction at the open coastal city of Beihai, with airports in the design stage at Changsha, Loyang and Meixian. A feasibility study for an airport in Shenzhen, the economic zone adjoining Hong Kong, is due to be complete early next year.

Zhu Deci, like CAAC officials in other regions, is waiting for the green light from Peking. Separation is certain, but whether improvement in services follows is another matter. It is unclear whether it will lead to more competition, or whether it will simply add a new tier of bureaucracy to the layers that already exist.

More may depend on events outside China rather than reforms within. Hong Kong-based airlines like Cathay Pacific and the newly-created Dragonair and Caledonian Far East are bidding for the right to fly to cities inside the country. If they succeed, the competitive forces unleashed are likely to bring far-reaching change.

Canadian mine back on course

By Kenneth Marston, Mining Editor

THE Canadian gold and silver producing Agnico-Eagle Mines reports an increased third quarter net profit of C$3.6m (US$2.6m or £1.8m)—the best for five years—equal to 26 cents per share.

This brings the total for the first nine months to C$5.6m, matching the year-ago figure despite below average gold output in the 1985 first quarter.

This year the company has also received lower average prices for its precious metals, but the recent commissioning of the Telbel Mine shaft has boosted gold production by 25 per cent to 57,397 ozs. Gold output for the full year is expected to reach 75,000 to 80,000 oz and to rise further to 90,000 oz or better in 1986.

Gold production costs have been reduced to the equivalent of US$110 per oz against US$220 a year ago. Silver production costs are running at under US$4 per oz and nearly all this year's silver output has been stockpiled for future marketing.

Royex Gold Mining of Toronto has reached agreement with International Investors of New York and International Corona Resources of Toronto for the private placement of 12.8m Royex shares at C$2. Following the placing, International Investors will hold 9 per cent of Royex common shares.

Canada's Echo Bay Mines has sold, for US$23.7m (£16.8m), all the shares of the copper mining and refining Copper Range to Northern Copper. Following the transaction Echo Bay will retain the 50 per cent interest in the Round Mountain gold mine and gold exploration properties in Nevada that were acquired with Copper Range's White Pine copper complex in January.

Company Notices

US$100,000,000

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS

12¼% guaranteed notes due 1992 with detachable warrants to purchase US$100,000,000 12¼% guaranteed notes due 1992

NOTICE OF PARTIAL REDEMPTION

NOTICE IS HEREBY GIVEN that pursuant to the fiscal agency agreement dated as of December 13th, 1984 between SNCF and Banque Nationale de Paris (Luxembourg) S.A. the following notes in the principal amount of US$1,000,000 have been drawn by lot and are due for redemption on December 18th, 1985 at the offices of the paying agents at 101% together with accrued interest thereon to said redemption date.

000516-000527	001423-001434	002327-002338
003473-003484	004864-004886	005354-005365
006018-006030	007428-007439	008913-008924
009165-009176	010730-010741	011796-011807
012001-012011	013000	013153-013164
014361-014372	015301-015312	016828-016839
017271-017282	018318-018329	019232-019243
020610-020622	021658-021670	022201-022213
023808-023820	024204-024216	025268-025280
026394-026398	027574-027586	028450-028462
029849-029881	030694-030706	031200-031218
032727-032739	033554-033566	034971-034983
035829-035841	036769-036781	037157-037169
038418-038430	039124-039136	100421-100428
101390-101397	102361-102368	103520-103527
104932-104940	105047-105055	

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) SA

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

UNAUDITED INTERIM STATEMENT FOR SHAREHOLDERS

1. During the half-year to 30th September 1985, £1,347,500 of Heritable Loans were completed. At 30th September 1985 further loans totalling £1,156,000 had been approved by the Directors and awaited completion.
2. Reductions totalling £452,688 were made in the principal amounts of Loans during the half-year, of which £215,130 represented capital recovered as provided for in the Loan Agreements and £237,558 special reductions and repayments.
3. The total amount of Loans outstanding at 30th September 1985 was £15,898,831.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Sterling Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 14th November, 1985 to 14th February, 1986 has been fixed at 11.625 per cent per annum. On 14th February, 1986 interest of £146.51 per £5,000 nominal amount of the Notes, and interest of £732.53 per £25,000 nominal amount of the Notes, will be due against Coupon No. 5.

SWISS BANK CORPORATION INTERNATIONAL LIMITED
Reference Agent

Holidays and Travel

UK NEWS

CBI calls for £1bn to cut unemployment

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry (CBI) yesterday called on the Chancellor of the Exchequer to earmark £1bn in his next year's budget to tackle unemployment – if necessary, at the expense of tax cuts.

The CBI believes that a programme of building improvements, new training schemes and the encouragement of labour mobility could provide about 350,000 jobs over the next few years.

Sir James Cleminson, the CBI president, pressed to say how these measures would be funded, said: "If people believe that some of the things suggested are more worthwhile [as a means of] getting unemployment down, rather than tax cuts, that's what we will go for."

He stressed, however, that it would be a matter for the delegates at the CBI's annual conference to decide the shape of the CBI's budget submission.

The conference of the CBI, the main employers' organisation in Britain, opens today in Harrogate, Yorkshire.

He also said, "We believe that if we can achieve 4 per cent output growth we can make enormously significant cuts in unemployment by the end of the century. We could get to the stage ... where people who want to work will be allowed to work."

The CBI's proposals are:

- A building improvement programme to be undertaken by the long-term unemployed, funded by the Manpower Services Commission. The scheme would provide the "rate for the job" and necessary training. It is seen as strengthening the *bona fide* building sector.
- The encouragement of labour mobility by giving concessionary fares to the long-term unemployed seeking work and greater provision of accommodation for those seeking work away from home.
- An increase of government aid to companies undertaking land reclamation.
- New training schemes, including a £40 a week training allowance to the unemployed to "undertake any activity which improved their marketability."
- A grant to help the reorganisation of work, supervised by civil servants drawn from the Department of Employment's work research unit. It would promote the benefits of additional shift and rota working and develop the existing job splitting and job release schemes and encourage "training sabbaticals."

Sir James insisted that financial control of these programmes must be tight and that borrowing should not be increased to pay for it.

Big companies expect continued job losses

BY OUR INDUSTRIAL EDITOR

A GALLUP poll of employers taken last month for the Confederation of British Industry shows deep concern over continued high levels of unemployment, skill shortages and competitiveness, but contentment over improving industrial relations and satisfaction that more flexible forms of working – more part time, temporary and sub-contracted work – are continuing to appear.

Overall, the companies surveyed were less optimistic than last year that they would increase their workforce: 28 per cent said they would employ more, 29 per cent less, with 43 per cent the same. This compared with last year's figures of 30 per cent, 25 per cent and 45 per cent respectively. Smaller companies (less than 1000 employees) are much more optimistic of employing more workers but the larger companies (1,000 to 5,000 plus) all expect to continue shedding labour.

Skill shortages are seen as a real and growing problem.

Ulster Unionist leaders pledge to destroy Anglo-Irish accord

Margaret van Hattem and Hugh Carnegy examine the reaction by Ulster Unionist leaders to the Anglo-Irish agreement.

ULSTER UNIONIST leaders reacted furiously at the weekend to the Anglo-Irish agreement, insisting it represented "an infringement of British sovereignty," and pledged themselves to bring it down.

The agreement, signed last Friday by Mrs Margaret Thatcher, the UK Prime Minister, and Dr Garret FitzGerald, the Irish Prime Minister, opens the way for formal, regular participation by the Irish Government in Northern Ireland affairs, through an intergovernmental conference.

At an emergency seven-hour meeting of the Northern Ireland Assembly on Saturday, Unionist leaders won the backing of their parties for a resolution calling for a referendum, confined to Northern Ireland, for the deal; and summoning Mrs Thatcher to appear before the assembly. The resolution was accepted 44 votes to 10, with the Alliance members voting against. (Nationalist members have boycotted the Assembly.)

Later, Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main Unionist parties, declared that the 15 Westminster MPs in their parties would all resign their seats before Christmas, and would fight by-elections if their demands for a referendum were once again refused.

They referred to Mrs Thatcher as a "liar," spoke of "the stench of treachery and deceit" and called officials involved in drawing up the agreement "quislings."

"The Ulster people are not miners or Argentinians – they have grit, courage and strength," Mr Paisley declared. But he dissociated himself from suggestions that their resistance would extend to unconstitutional, violent means.

However, some other Unionist leaders were less restrained. Mr Harold McCusker, Official Unionist Party MP for Upper Bann, said that the agreement would establish an Anglo-Irish coalition government in the North.

"There is no length to which I am not prepared to go to oppose this accord," he said.

Mr Peter Robinson, Democratic Unionist Party MP for East Belfast, said the agreement clearly violated the UK Government pledge that there would be no change in the constitutional position of Northern Ireland without the consent of the majority.

The terms of the agreement are intended to put pressure on the Ulster Unionist parties to drop their veto on power-sharing with the constitutional nationalists, as a prelude to another attempt at devolution. The agreement makes clear that the Dublin Government shall have a voice only in those policy areas which have not been devolved; but that if attempts at devolution remain blocked by the Unionist veto on power sharing, Dublin's role will be wide ranging.

Mr John Hume, leader of the Social Democratic and Labour Party (SDLP), the main nationalist party, said yesterday his party would regard devolution to a power-sharing executive as an improvement on the Anglo-Irish agreement. They remained ready to open negotiations on this basis, he added.

Unionist politicians have not ruled out the possibility of reconsidering power-sharing. Some concede privately that they consider it inevitable. But many are sceptical of the SDLP's stated position.

JMB and Gomba actions grow

BY TERRY POVEY

ATTEMPTS by Johnson Matthey Bankers (JMB) to recover £21m from Mr Abdul Shamji's sprawling Gomba group of companies are developing into a war of writs.

On Friday an $80m action was begun in New York by Mr Shamji's son-in-law. On the same day in Jersey, the courts froze the assets of Mr Shamji's holding company after claims by JMB for repayment of outstanding loans.

Mr Shamji has already launched a court case in London claiming that the bank was wrong to put in receivers and seeking punitive damages from JMB and the Bank of England. An attempt by Mr Shamji to prevent the disposal of any of his group's assets until this action is heard next month was rejected by the courts a week ago.

Early on Saturday, Price Waterhouse, the receivers appointed by JMB for the main Gomba companies in the UK, finalised the sale of the group's key stake in the Wembley Stadium complex in north-west London. The purchaser is a consortium led by Mr Brian Wolfson, chairman of the Anglo Nordic Group. The price is believed to be £6.3m.

Other banks in the last week have followed JMB's example and appointed receivers for parts of Mr Shamji's diversified empire. National Westminster has appointed receivers for the Universal leather goods company, Lloyds for Safe Deposit Centres, and Punjab National Bank has made a similar move over the lease on Anlord House, a property in Mayfair, London.

The action in the US has been mounted by three companies run by Mr Munir Walji, the son-in-law of Mr Shamji. Mr Shamji has always denied any corporate connection between himself and the activities of his son-in-law.

Mr Walji's claim is for $40m compensation and $40m punitive damages against both JMB and the Bank of England for alleged failure to honour financing arrangements on the purchase from Johnson Matthey plc of that company's jewellery stocks and warehouse facilities in Rhode Island, New York. Johnson Matthey was the parent company of JMB before the £250m Bank of England rescue of the bank in October 1984.

In the Jersey case, JMB was seeking to recover about £11.5m plus interest from Arya Holdings (formerly Gomba Holdings); the offshore company which is apparently the parent of most of the Gomba empire. On Friday the Royal Court granted an interim injunction freezing Arya's assets up to a total of £14m. A ruling on the bank's claim will be given next week.

In yet another action, Mr Shamji's former lawyers in Jersey are seeking up to £2m from Arya in repayment for a loan made by a trust for which they are acting.

Government urged to tighten bill on financial services

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is coming under increasing pressure from senior Tory MPs, as well as from the opposition parties, to strengthen and extend the forthcoming Financial Services Bill which will set out a new regulatory framework for City of London financial markets.

The MPs are urging increased statutory control of financial markets while Labour spokesmen and some Conservatives also want the Lloyd's of London insurance market to be brought within the scope of the legislation.

There is no indication so far that trade and industry ministers are considering any significant toughening of the bill compared with the proposals in last January's White Paper (policy statement) apart from wanting one, rather than two, supervisory boards.

The bill, due to be published next month, will permit recognised City bodies to regulate their own markets within a statutory framework designed to increase investor protection. On present plans, Lloyd's, covered by its own bill in 1982, will not be included.

Ministers are being made aware of the growing view at Westminster that these proposals are insufficiently tough. This is both because of the wide-ranging implications of deregulation in the London Stock Exchange and following recent scandals such as the alleged frauds at Lloyd's and the Johnson Matthey Bankers affair.

For instance, Mr Geoffrey Rippon, the former Conservative Cabinet minister and chairman of Britannia Arrow, told the House of Commons last week that the debate on the bill would range beyond what the Government had in mind. MPs may have to consider, he said, whether Britain needs something along the lines of the Securities and Exchange Commission (SEC) in the US. This view is shared by several other senior Tory backbenchers.

Mr Bryan Gould, Labour's trade spokesman, will be putting down amendments to the bill in the new year to strengthen statutory regulation moving towards an SEC. Similarly, he will seek to bring Lloyd's within the bill.

The unease of Tory MPs is likely to be reinforced by the letter to the Prime Minister from Sir Nicholas Goodison, the chairman nf the London Stock Exchange, urging tougher government action in pursuit of wrongdoers. He is worried that failure to prosecute cases of alleged fraud may also weaken self-regulation and affect public attitudes towards the City.

Thatcher says policies have not been altered

BY OUR POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, yesterday described herself as "still the prudent old Maggie" in defending the consistency of her economic and public spending policy.

During a television interview, Mrs Thatcher repeatedly rejected charges that there had been any change of approach in last Tuesday's economic statement.

She did acknowledge an increased emphasis on the marketing of policies already in the government programme such as "prudent" spending on maintenance and hospital building. She said that once policies were right, "You have to market them."

Mrs Thatcher also placed considerable emphasis on the Government mitigating unemployment and cushioning the harsh effects of change.

The interview came at the beginning of an intensive week for Mrs Thatcher. This morning she will meet France's President François Mitterrand in Downing Street to discuss the forthcoming treaty on the proposed fixed link across the English Channel, the two countries' attitude to nuclear arms and proposals for reforming the EEC at the Luxembourg summit in December. In the afternoon she will make a statement to the House of Commons on the Anglo-Irish agreement.

Cutback expected at arms factory

ROYAL ORDNANCE, the state-owned arms and munitions company, is expected to reduce the workforce at its under-used battle tank factory at Leeds, Yorkshire, ahead of a possible rationalisation of the UK armoured fighting vehicle industry involving Vickers.

Royal Ordnance is to be privatised in June. An early decision is expected on the future of the Leeds factory, which has a workforce of 1,800, to reassure potential investors well ahead of the stock market flotation.

Rationalisation nr diversification of tha industry is being considered by Royal Ordnance and the Ministry of Defence. Vickers Defence Systems on Tyneside is the nnly other UK maker of main battle tanks and also has spare capacity.

The future of Leeds is in the balance, according to accountants Coopers & Lybrand in a report to RO: "If no further large orders are received, then the factory will have to be closed or mothballed," it says.

□ THE LONDON Stock Exchange today expands the range of its sterling and D-Mark currency options with the addition nf two months, January and February, to its existing December/March/June/September cycle.

The move is to bring the London contracts in line with those of the Philadelphia Stock Exchange. The two exchanges plan to make the contracts interchangeable, so that an nption bought in the morning in Londnn can be sold in the afternoon in Philadelphia.

□ THE TRADES Union Congress today sharply criticises the Government's plans to privatise British Gas, arguing that the likely undervaluation of the sale will lead to a loss to the taxpayer of up to £8bn.

□ CALEDONIAN AIRMOTIVE, the aero-engine overhaul subsidiary of the Caledonian Aviation Group, is to dcuble the size of its factory at Prestwick Airport, Scotland, over the next five years, creating up to 250 new jobs at the plant.

□ VOLVO is investigating modifications to the continuously variable automatic transmissions used on its Dutch-built 340 models, following two recent cases of cars moving in reverse following incomplete selection of the "park" position.

UK NEWS

Alexander Nicoll looks at international share trading

Cold water on a global market

THE GLOBAL equity market, in which shares in an increasing number of companies are issued and traded outside their own countries, has been the subject of much overblown publicity.

So it was probably refreshing, even if surprising, for delegates at a London conference on the new market last week to hear several speakers pour cold water on its development. The conference, arranged by Oyez International Business Communications, attracted several hundred people many of them, no doubt, secretly hoping to find out exactly what the global equity market is.

The existence of a new market cannot be denied. More and more share issues, like those of British Telecom, Reuters and Britoil, have included portions sold outside their domestic base. Meanwhile the world's biggest securities houses operate a round-the-clock trading market in shares of the largest US, Japanese and many other companies.

It was, nevertheless, salutary that some of the hype should be knocked down. A cool, commonsense look was needed at exactly what stage the market had reached and whom it benefited.

Mr James Fergusson, international director of stockbroker James Capel, said it would take a long time to ease the cultural differences which made it difficult, for example, for US and UK investors to understand Japanese securities markets and vice versa.

"Securities firms can install all the hardware and software they want around the world, but unless a degree of common understanding is reached about the shares represented by prices on screens, and the concepts behind investing in them, there will not really be a global securities market," Mr Fergusson said.

The 150 or more companies in which shares are traded around the clock could not be said to represent a global portfolio because many of them were not properly representative of their home markets, he said. Consequently they did not represent a genuine diversification of investment into those markets.

US fund managers for example have invested heavily in top British companies, such as ICI and BAT Industries – trading in ICI shares is often said to be more active in New York than in London – but they have mostly chosen companies which have a strong business presence in the US.

As a result their shares tend to weaken in line with the dollar's decline, and the US investors suffer precisely the effects which they were hoping to escape by investing overseas, Mr Fergusson said.

Poor understanding among investors of foreign companies may not be the only problem. They may be conditioned to take a completely different view of a company from that taken elsewhere.

Just such e difference was highlighted by Lord Chandos, e director of Kleinwort Benson, the merchant bank which handled the British Telecom flotation. Though many investors saw BT as a high technology stock, it was viewed in the US as being a fairly typical utility company.

Such differences naturally affect the price at which shares can be sold if they are to be distributed internationally. Though an issue as large as BT's needed to be sold overseas, Lord Chandos cautioned against simultaneously offering shares in too many countries. The pricing, he warned, would be at the lowest common denominator; otherwise the poor performance of an offering in one country would be a drag on the price of shares sold elsewhere.

Several speakers referred to one of the market's most difficult problems, that of flowback. This is the term used to describe the rapid sale of internationally distributed shares back into their country of origin. This gives a quick profit to underwriters and securities houses but no benefit to the issuer.

Baron Van Ittersum, chairman of the Amsterdam Stock Exchange, suggested that foreign equity holdings generally are more short-term. "Limiting factors for long-term foreign equity holdings such as currency risk and distance from the home market may well be more lasting than one anticipates today," he warned.

Such cautionary notes underlined the need for all sides – issuers, investors and securities firms – to be careful in their approach to making and trading shares internationally.

Given a cautious approach, the speakers did not appear to doubt that the global market would continue to develop, even though, according to Mr Fergusson, "the very structure of most institutional obligations is such that the vast majority of funds will always be invested in their own domestic markets."

Progress was being made, he said, in developing a common international approach to the valuation of stocks. But he complained that "the whole thrust of current thinking ... seems to concentrate on what is convenient for large international issuers, large international securities firms and big investors."

Development of a real global market, Mr Fergusson said, "will need much more effort, both from fund managers and their advisers."

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

November 24-30
International Building and Construction Exhibition — INTERBUILD (01-486 1951) NEC, Birmingham

November 26-28
Northern Control and Instrumentation Exhibition (01-855 7777) Harrogate Exhibition Centre

November 27-29
International Test and Measurement Exhibition — ITAME (0799 26699) Olympia

November 27-December 1
World Travel Market Exhibition (01-643 8040) Olympia

December 2-5
Royal Smithfield Show (01-235 0315) Earls Court

December 5-6
Tax and Investment Exhibition (04868 21231) Wembley Conference Centre

December 9-11
Exhibition, Conference and Incentive Travel Event — EXCITE (0737 68611) Olympia

December 11-13
International Coal Utilization Exhibition and Conference (01-437 2175) Wembley Conference Centre

January 1-12
London International Boat Show (0932 54511) Earls Court

OVERSEAS TRADE FAIRS

November 20-24
International Food and Beverage Festival — FOODFEST (01-236 2399) Hong Kong

November 24-28
International Hotel, Restaurant and Institutions Equipment Exhibition (021-705 6707) Brussels

November 26-28
Computer Aided Design and Manufacturing Exhibition — CADCAM (01-437 2175) Amsterdam

November 27-29
Energy Concepts for the Industry Convention and Exhibition — ENKON (01-930 7251) Nuremberg

November 27-29
Biotechnology Exhibition — BIOTECH (01-868 4466) Singapore

November 28-December 1
Autumn/Winter Ready-to-Wear Fashion Fair — PORTEX (01-493 0212) Oporto

December 2-5
Oil and Gas Conference and Exhibition — ASCOPE (01-486 1951) Kuala Lumpur

December 7-12
International New Computer Technology Exhibition — COMPUTER CHINA (01-486 1951) Beijing

December 12-15
Coin and Card Operated Machines and Equipment Exhibition—COIN-OP (01-734 7282) Singapore

December 17-19
Summer Travel Industry Exhibition—TOUR (01-437 2175) Amsterdam

January 6-9
International Hotel and Catering Industries Trade Fair—HORECAVA (01-437 2175) Amsterdam

January 7-9
Computers, Communications and Business Equipment Exhibition —INFO/SOUTHWEST (01-891 5051) Dallas

BUSINESS AND MANAGEMENT CONFERENCES

November 18-19
FT Conference: Space: commercial benefits for industries worldwide (01-612 1355) Hotel Inter-Continental, W1

November 20
Marketing Society Annual Conference (01-836 6801) Grosvenor House, W1

November 20-21
The Infomatics Resource Centre: Large systems 1990 — current options and future views (01-871 2546) Kenilworth Hotel, WC1

November 21-22
The Institute for International Research: The Second Annual China Trade and Investment Conference (01-434 1017) Royal Lancaster Hotel, W2

November 21-22
Euromoney Conferences: Corporate Finance Conference (01-236 3288) Hotel Inter-Continental, W1

November 26
Oracle Business Information: General insurance companies—a practical approach to VAT planning (01-727 3503) Gloucester Hotel, SW7

November 26
Oyez IBC: UK onshore and offshore oil and gas—rearrangement of licence interests (01-236 4080) Portman Hotel, W1

November 28
Leasing Digest Conference: The new era for leasing companies (0376 62262) Grosvenor House, W1

December 3-5
Unicom Seminars: Expert systems and optimisation in process control (01-940 7716) London West Hotel, SW6

December 4
Oyez/IBC: Re-regulation of the City, management of change (01-236 4080) London Press Centre, EC4

December 4
Dun and Bradsheet: Finance for private companies (01-377 4454) Cafe Royal, W1

December 4
Meeting Point Conferences: Selling to multiple retailers (01-734 0453) Strand Palace Hotel, WC2

December 5
Monadock: Turkey (01-871 2546) Cumberland Hotel, W1

December 5-6
Business Research International: The London international loan markets (01-637 4383) Hyde Park Hotel, SW1

December 6
CBI/FIBEX: Post-acquisition strategy—How to get the best performance from your acquisitions Centre Point, WC1

December 6
Sweet and Maxwell Conferences: Criminal law review 1985 (01-583 9855) City University, London

December 10
Oyez/IBC: Insolvency Act 1985 (01-236 4080) Cavendish Conference Centre, W1

December 12
Oyez/IBC: Telecommunications (01-236 4080) Portman Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

REGULATING THE FINANCIAL SERVICES INDUSTRY

London—January 21 and 22, 1986

The FT London conference programme in 1986 is to open with a two-day forum on this highly topical theme at the Hotel Inter-Continental on January 21 and 22. The conference is a natural follow-on from the acclaimed City Revolution conference held in July this year.

Sir Kenneth Berrill, KCB, is to be the keynote speaker on the first day and Mr Michael Howard, QC, MP, Under-Secretary of State for Trade and Industry, is to open the second morning. The proceedings are designed to cover the legal background, the broad questions of policy and approach, the functioning of the new self-regulatory organisations and the problems of accounting, auditing, insurance and enforcement that the new system will present. The whole purpose of the conference is practical and a series of workshops is included. These are being prepared with Deloittes as technical advisers.

THE SECOND FT-CITY SEMINAR

London—January 27, 28 and 29, 1986

Following the highly successful three-day intensive version of the FT City Course held in London last January, the Financial Times is pleased to announce that this FT City Seminar is to be held again from January 27 to 29 at the Skinners' Hall in the City of London. Describing how business is done in London and commenting upon the changes stemming from the financial services revolution will be Dr Michael von Clemm of Credit Suisse First Boston, Mr Win Bischoff of Schroders, Mr Penn Kent of the Bank of England, Mr Christopher Johnson of Lloyds Bank and Mr David Malcolm of Royal Insurance who are among a most interesting panel of contributors. The chair is to be taken again by Mr Marc Lee, the FT Conference Adviser, and the proceedings will cover a very wide range of City activities. The Seminar allows ample time for questions, discussion and contact-making.

All enquiries should be addressed to:

The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

UK NEWS

GM subsidiary to build first UK micro van

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS of the US is to assemble a second Japanese-designed van at its Bedford subsidiary in Britain in a project which breaks new ground for the UK motor industry.

The vehicle is a very small, or micro, van – just over 10 ft long but able to carry half a tonne. It is the first time a vehicle of this size has been produced in Britain. It will be the first to be marketed under a dual-branding system through two separate dealer networks.

The van is based on a Suzuki model and will be distributed by 450 GM Bedford dealers and by the privately-owned company which imports the Japanese group's products to Britain.

Suzuki GB (Cars) is a Heron group subsidiary and expects to sell at least 2,500 a year of the British-built micro vans through about 180 dealers.

This will enable the company, which has had its growth constrained by the voluntary restraints on shipments from Japan to Britain, to import more commercial vehicles – almost certainly the small Suzuki four-wheel-drive vehicles which, to a limited extent, compete with the Land Rover, made by BL's subsidiary.

Heron sold about 1,500 of the Suzuki four-wheel-drive vehicles last year and has not been able to keep pace with demand. Suzuki van sales in 1984 totalled nearly 900.

Mr J. T. Battenberg III, Bedford's chief executive, says that the UK Department of Trade and Industry has been consulted about the arrangements which should result in the GM company producing about 10,000 of the micro vans a year.

About £15m was spent to re-engineer the Suzuki SK 410 micro van, launched in Japan three months ago, to European standards.

Mr Battenberg says that the vans, to be built at Bedford's Luton facility which has been revamped at the cost of £90m, will be 62 per cent European in content (measured by ex-factory value) at the launch next February.

GM has promised the British Government that the European content will rise to 80 per cent within three years.

Mr Battenberg says that the UK-built micros – to be sold either as the Bedford Rascal or the Suzuki Super Carry – will equal the Japanese vans in quality, but Bedford will not be able to match Japanese production costs because it will be building comparatively only a few compared with Suzuki in Japan. So far, 124 UK companies have been awarded contracts to supply components for the micro.

A year ago GM began producing at Luton a light van based on a design by another Japanese company, Isuzu, which is sold in Europe as the Bedford Midi. The US group, the world's largest automotive organisation, owns nearly 40 per cent of Isuzu and 5 per cent of Suzuki.

The British version of the Suzuki micro van will be sold on the European continent and GM hopes it will do particularly well in France and Italy which are nearly closed to vehicle imports from Japan.

Japanese micro vans were first launched in the UK in 1970 and sales have grown to nearly 7,000 a year. GM believes that the introduction of UK-built micros will double annual sales in the next 18 months.

JCB expects rise in profits to £25m

BY CHRISTOPHER LORENZ

JCB, the leading European maker of construction equipment, and one of Britain's most successful manufacturing companies, is expecting to report a 25 per cent increase to £25m in pre-tax profits for 1985.

Its sales look like being 20 per cent higher at about £185m, according to Mr Anthony Bamford, the chairman.

Mr Bamford said that the increase, at a time of generally stagnant markets around the world for many types of construction equipment, resulted from an all-round improvement.

Exports to US customers of JCB's primary product, backhoe loaders, have expanded sharply, giving the company an estimated US market share of 7.5 per cent against 5.4 per cent in 1984. The increase in sales partly results from a two-year programme of heavy investment in a new US distribution network.

The US expansion, plus JCB's strong performance in other international markets (two thirds of its production is exported), has lifted its world market share in backhoe loaders to over 17 per cent, compared with 11 per cent in 1979. This puts it slightly ahead of Deere & Co and in second place to J. I. Case, a US company which holds a world share of about 34 per cent.

Mr Bamford said that the value of JCB's unit sales, which were expected to rise by 16 per cent to about 8,500 machines of various types by the end of 1985, had been boosted by a shift in the product mix. Not only were customers buying more sophisticated backhoe loaders but sales of hydraulic excavators, telescopic handlers and other higher-value products had increased sharply.

Currency gains during 1985 were expected to be no higher than during last year, Mr Gilbert Johnston, the chief executive, said.

Mr Bamford and his father, Mr Joseph Bamford, who founded the company, are continuing to resist any suggestion that JCB should go public. They are understood to be strongly of the view that private ownership has conferred many advantages on the company, including its ability to make quick investment decisions and to weather difficult trading periods.

The most recent case was in 1980–81, when JCB continued to invest heavily in products, plant and sales promotion at a time when cash flow was heavily negative and borrowings were increasing.

The company now has £40m of unused bank loan facilities and a rapidly rising cash balance.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

SURPRISING though it may seem in view of Britain and West Germany's contrasting reputations for management competence and labour relations, Japanese companies are having a tougher time transplanting themselves into the Federal Republic than into the UK. Whereas UK shop floor workers (if not managers) have generally adapted remarkably well to the all-round commitment and job flexibility demanded by the European subsidiaries of Japanese companies, such strictures are causing strain and conflict in West Germany.

Not only is the Japanese system of training by job rotation being frustrated by German labour practices and employee rights, but Japanese subsidiaries are making poor use of their German managers. The influence of local managers is limited, and promotion to influential jobs is rare—with the result that Japanese companies are unable to attract able German managers, and that the turnover rate of local management is high.

This indictment of the unsuitability of Japanese management practices to Europe's most successful major industrial economy is made by three researchers at the East Asian Institute at the Free University of Berlin. One of them, Professor Suog-Jo Park, is leader of a research project on Japanese management in Germany which is supported by the Volkswagen Foundation.

The findings of Park and his colleagues cannot augur well for the rapid expansion of Japanese subsidiaries into continental Europe which has begun to take place in response to a battery of pressures on Japan to curb direct exports in favour of direct investment overseas. As the researchers warn, "the glorious Japanese success story could turn sour should their European subsidiaries neglect these pressing problems."

Reporting their findings in a special issue of Euro-Asia Business Review which deals in depth with Japanese investment in Europe, Professor Park, Helmot Demes and Hans-Peter Merz itemise an inventory of problems in Germany.

Whereas Japanese subsidiaries pay careful attention to the training of their German technicians, for example, the researchers found that few do much training at the managerial level. Nor do they carry out proper personnel planning. Given the rapid turnover of Japanese managers posted by head office to their German subsidiaires, argue Park, Demes and Merz, a personnel policy for German employees would seem doubly necessary in order to ensure continuity.

The Berlin trio are unhappy that the central decision-making positions in most Japanese subsidiaries remain reserved to expatriates, right down to the level of department heads. Apart from the very high cost of importing personnel, they point out that this approach is destructive in the sense that German managers of high potential leave the company, leaving behind only those who "have either no ambition or no leadership ability."

Even if expatriates remain in control, the researchers say that it will be of the highest importance for Japanese subsidiaries to have good German managers at the "interface" between Japanese executives and their local employees. "Yet a conscious, concentrated caring for these positions can be sensed in very few firms." The creation and expansion of these interface positions could remedy "an all-too-prevalent lack of information among Japanese top executives about their German employees," as well as partly compensate for the lack of career opportunities for Germans.

A further cause of demotivation for local managers, according to the study, lies in the way that, whatever their nominal position in the company's hierarchy, Germans tend to be excluded from the real decision-making process by the overwhelming use of the Japanese language for communication between subsidiaries and their Japanese head offices. Much of the crucial "nemawashi" (consensus-building) also tends to take place in the late evening, at a time when most Germans have gone home to be with family or friends.

Further exacerbation, say the researchers, arises from the fact that most Japanese companies in Germany are what they call "teletype subsidiaries"—that is, they are completely dependent on instructions from the mother company in Japan. The teletype or telefax machine, rather than the telephone, is the main means of communication for almost all the companies, but even so the subsidiaries feel they must work late into the European evening in order to be "on-line" at a time when their head offices are open in Japan.

These sorts of strains between Japanese and local managers are by no means unknown in Britain and Ireland, where most of the first batch of Japanese investments was made in the 1960s and 1970s. To a much greater extent than during the equivalent stage of American "multinationalisation" in the 1930s and 1950s, local managers working for many Japanese subsidiaries in Britain have complained of lack of influence and career advancement.*†

On the other hand, as has been widely reported, Japanese companies in Britain and Ireland have been generally delighted with the attitudes they have been able to instil into their shop floor and clerical workforces. The same cannot be said of West Germany, it seems.

The Berlin team reports, for example, that the Japanese system of training by job rotation has run foul of German unions and labour practices. Most German unions will only accept such rotation if the worker learns new skills which result in a new position at higher wages. "Otherwise, such rotation gives a German legal grounds for resignation."

Park, Demes and Merz found that Japanese managers generally lack understanding of the legal status of industrial relations practices in West Germany. This, they say, has led to a number of problems such as the infringement of legally guaranteed rights related to worker participation, overtime, transfer, and the introduction of personnel information systems. The Japanese have also "misinterpreted collective agreements, particularly when they came into conflict with other, often individual, agreements."

"The behaviour of Japanese management is often clumsy, and misunderstandings caused by lack of information or comprehension occur relatively often . . . but lack of knowledge is not the only factor; the Japanese are sometimes seen as deliberately blocking union initiatives. This can lead to conflicts that end up in court. The Japanese firms are apparently often misinformed of the risk of court cases and of their chances of winning them.

One union secretary characterised the policy of a particular Japanese company as "a mixture of incompetence, stupidity and stubbornness," according to the Berlin team, which adds that "a similar view of the posture of Japanese companies in West Germany was held by many experts."

Not surprisingly, a number of Japanese companies have responded to such problems by keeping their labour forces below 500, the level above which unionisation is common and worker participation rights apply. But even in non-unionised companies, report Park, Demes and Merz, misunderstandings have arisen over the legal rights of individuals. "Many Japanese employers, for example, do not understand the legal requirement of maternity leave which gives a German woman six months' leave during which her job is held open."

In Japan, a woman about to have a baby is normally expected to resign, and Japanese employers in West Germany often expect the same—to the extent of trying to terminate her employment though this is clearly against the law. Similar misunderstandings await German workers taken ill during their vacations—which they may legally extend for the time spent ill. A worker's right to a reference upon leaving the firm is also often not fully understood by the Japanese, complains the Berlin team.

The situation of Germans working for Japanese subsidiaries is not, it seems, always a happy one. In view of their evidence the Berlin researchers may be guilty of an understatement when they conclude their report with the comment that "improved preparation of Japanese representatives in the language, law and culture of their host countries, as well as the provision of career opportunities for German managers, appear necessary to ensure the long-term success of Japanese subsidiaries in Europe."

* Vol 4, No 2, Published by John Wiley & Sons, Baffins Lane, Chichester, Sussex PO10 1UD, England. Tel 0243-784531. Telex 862990.

† See, for example, "Why Japan's corporate style can upset local managers overseas." This page, August 22, 1983.

Japanese companies in Europe

Tough times for transplants

BY CHRISTOPHER LORENZ

OVER THE past three years the number of Japanese manufacturers in France has surged from three to more than two dozen. Not all are delighted with their experiences.

Pentel, which in 1967 became the first Japanese company to invest in France, claims to have annexed a 60 per cent share of the French market for plastic roller-type pens. But, echoing a complaint of many of the 30-plus Japanese manufacturers in Britain, its director-general, Hiroaki Arai, is unhappy about his suppliers.

Whereas the main concern of Japanese companies in Britain has been about quality levels, Pentel's problems centre on reliability of supply. Arai says he receives anywhere from 80 to 120 parts for every 100 ordered, and that delays are frequent. To iron out the problems he has to plan for 15 days' storage time, more than double the seven days required by Pentel in Japan.

Pentel's French plant has had to resort to issuing frequent reminders to its suppliers—it now places an annual projected order, a further warning three months in advance, and an actual order one month in advance.

Like several other Japanese manufacturers whose dissatisfactions about France are reported in the Euro-Asia Review,* Arai admits to frustration with the management of French workers. "I don't understand them and they don't understand the company," he told the Review. Though Pentel picked a small town near Paris as the site for its factory because it was a quiet residential area where labour relations were not expected to pose problems, Arai has had his work cut out dealing with union issues. "Conditions for workers here are already too good, and they are still pushing for more money and more holidays," he commented.

Pentel's response has been to recruit more foreign workers — half the 50-person workforce at the plant is now non-French. The international flavour of the workforce prevents solidarity among the workers, according to Arai. He hopes to smooth the company's problems further by bringing in two French managers by 1987, and cutting the number of Japanese managers from five to three.

A set of equally forthright views is held by Ryozo Hirako, president of the French subsidiary of Canon, which began production of small copiers near Rennes in September 1984 after gaining a 30 per cent share of the French copier market through aggressive selling by its 1,500-strong sales force.

The Japanese find themselves more at home in the US, UK or West Germany, according to Hirako and perceived France as a rather insular society "with a unique accounting system and a different way of doing just about everything."

Like Pentel, Canon has also had problems with its local suppliers. Hirako partly explains this with the comment that "the French system is completely different from the Japanese subcontracting system, in which the smaller companies completely cater to the larger ones. Here (in France) the relationship is more equal, and quality, timing and price all have to be negotiated independently."

The same is true, of course, in the US, UK and West Germany. But the fact remains, according to the Review's researchers, that "Japanese businessmen think of France as a land of unfriendly and inefficient bureaucracy, unreliable suppliers and demanding workers."

Business courses

Japanese Management training and development techniques, Cambridge. November 27. Fee: £28.75. Details from Tracey Johnston, Employment Relations, 62 Hills Road, Cambridge CB2 1LA. Tel: 0223 315944.

Longman and Price Waterhouse business rescue seminar, London, November 28. Fee: £160 + VAT. Details from Longman Seminars, Longman Group, Freepost London WC1N 3BR. Tel: 01-242 4111.

Developing people and profit for computing services, London, December 5. Fee: COSIT members £103.50; non-members £126.50. Details from COSIT, Victoria House, London WC1B 4DP. Tel: 01-242 5049.

Improving the interviewing skills of qualitative researchers, Bedford, December 4-5. Fee: (including accommodation) members £276; non-members £368. Details from The Market Research Society, 15 Belgrave Square, London SW1X 8PF. Tel: 01-235 4709.

Choosing accounting software for microcomputers, London, December 2-3. Fee: £445. Details from Information Futures, Russell House, Russell Street, Windsor, Berkshire SL4 1HQ. Tel: 07535 58811.

The eleventh world banking conference, London, December 10-12. Fee: £300 per day maximum. Details from FT Business Information, Bracken House, 10 Cannon Street, London EC4P 4BY. Tel: 01-248 8000.

Defence research and development contracts, London, December 10-11. Fee £442.50. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACSG (ref 1202).

How to manage corporate taxes, London, December 6. Fee: ESC members £147.20; non-members £172.50. Details from European Study Conferences, Kirkby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 822711. Telex: 341352 EURCON G.

Strategic planning: a practical approach, Brussels, December 2-5. Fee: Non-members BFr 74,000; members (AMA/I) BFr 67,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516/19/11. Telex: 21.917.

Electronic mail, London, December 4-5. Fee: 07535 58811. Details from CGS Institute, Russell House, Russell Street, Windsor, Berkshire SL4 1HQ. Tel: 07535 58811. Telex: 849105.

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Henry Ansbacher	11½%	C. Hoare & Co	†11½%
Amro Bank	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co Ltd	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co	12½%
BCCI	11½%	Meghraj & Sons Ltd	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd	11½%
Bank of Scotland	11½%	National Bk of Kuwait	11½%
Banque Belge Ltd	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd	12 %	Northern Bank Ltd	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd	12½%
Cayzer Ltd	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**	11½%	Royal Trust Co Canada	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	†12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co Ltd	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteaway Laidlaw	12 %
Continental Trust Ltd	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk	11½%		
Duncan Lawrie	11½%		
E. T. Trust	11½%		
Exeter Trust Ltd	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat Secs Ltd	12½%		
■ Robert Fleming & Co	11½%		
Robert Fraser & Ptrs	12½%		
Grindlays Bank	†11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.28%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8.00% gross.
‡ 21-day deposits over £1,000 8.25%.
§ Mortgage base rate.
** See Provincial Trust Ltd.
‖ Demand dep. 8%. Mortgage 13%.

THE ARTS

Songs for Stray Cats/Warehouse

Michael Coveney

Songs for Stray Cats and Other Living Creatures by Donna Franceschild at the Donmar Warehouse is a disappointing birthday cake for Paines Plough's 10th anniversary. In a co-production with Manchester's Contact Theatre, the piece is a rambling idyll in a Glaswegian musical instrument warehouse that resembles a fading carbon of a John Byrne play, with a few portentous rock reggae songs thrown in to lay a false scent of structural derring do.

Marie (Josie Lawrence) is the singer of various funky odes—to her new job, a stray cat, self-destructive impulses (go on, go on), wounded animals and unemployment. She loses custody of her children and all prospect of fulfilment. Her brightly painted colleagues in depression are a couple of would-be musicians, an overweight punchbag for others' insults and Elaine Collins's post-punk scatterbrain torn between a husband who beats her up and a lover who lets her down.

Violence and job dissatisfaction run through the evening, contained on Ellen Cairns's design of viciously clanging metal doors, cardboard boxes that serve as an improvised drumkit for the dangerously uncoiling victim (John McGlynn), and rest room area. We never see the bosses, nor do we gain a sense of industry undertaken even before the notice of closure is posted.

In between the clumsily manufactured temperamental eruptions, there are whimsical passages about the mouse who scares off the cat and the pop star aspirations of Peter Capaldi's energetic Lionel, who exchanges green hair and heavy metal for wrinkled tights and Elizabethan hose in a Sauchiehall Street tourist trap.

This translation at least yields a funny entrance and a speech of refreshing imaginative fancy. Miss Franceschild is undoubtedly talented, but it is depressing to see her efforts lying malformed and untreated on a public stage in this manner. There is no reason why she should not be as notable soon as her fellow Glaswegian Marcella Evaristi. But this piece betrays little advance on her similarly infuriating work and music piece four years ago, *Tap Dance on a Telephone Line.*

The Garden of England

Martin Hoyle

Peter Cox's vox pop compilation of interviews with miners and their families in the Kent coalfield has already been seen at the Shaw. A new version takes the stage as the last production in the Cottesloe's season of new writing.

By now attitudes towards the miners' strike have hardened on both sides, and the programme note makes plain that the play presents the views of only one group. This is not, therefore, conventional agitprop out to make converts. Indeed, the first half of Peter Gill's austere production, as the 15 actors bustle round the stage uttering single lines before a group or an individual sits centre-stage—as in musical chairs without the music—leaves one uncertain as to the point.

Diffuse and anecdotal, the piece seems best suited to radio. We are reminded of the almost Kafkaesque obstructiveness of police road-blocks, judicial severity, the women's soup-kitchens; and how vicious stupidity is found on both sides. The miners' taunts of "Gadaffi" (a reference to the murdered WPC Fletcher) and complacent remarks about "winding them up" are as depressing as the impression of a brutal and overweening police force.

In Part 2 the worthy documentary style suddenly catches fire. Pamela Miles as a miner's wife with two children recounts how police violence disrupted a march along Whitehall as women and children screamed in panic. She blazes with anger, grief and incredulity, utterly convincing as a straightforward and honourable women whose attitudes will never be the same. "I would really have to be desperate to call the police. I just think they are . . . bad."

The new politicisation of the previously unpolitical is recorded ("When politics used to come on television I used to turn over but now I sit and I listen"). A miner's wife compares the would-be arsonists among the strikers to resistance heroes. "We're fighting a war against capitalism," she asserts. "Against fascism, darling," her husband corrects her.

The men sprawl on their chairs looking butch and sounding, it must be admitted, predictable, but curiously the women provide the most memorable moments. The play ends with a long monologue from an older woman who recalls her father setting on his bike, Tebbitt-fashion, to move from his redundant Rotherham pit to Kent, only to die of pneumonia at 46. No mere sob story, a whole philosophy, an angry lament, is delivered hypnotically, magnificently, by June Watson on a rising note of bitterness, rage and mockery.

Saleroom/Antony Thorncroft

Two very different printed items come under the hammer at Sotheby's this week. On Wednesday in New York the saleroom is offering the Empress Josephine's copy of Redouté's Les Liliacées, with the 486 original watercolours based on the flowers in the Imperial gardens.

It will offer the 10-volume masterpiece as one lot, anticipating bids in excess of $5m. If there is insufficient interest at this price level, it will start selling the drawings individually.

On Friday in London, Sotheby's is auctioning the earliest known Bank of England banknote in private hands. It is dated April 13 1780 and is estimated at £8,000-£5,000, as against its £50 face value.

The sale of the contents of Littlecote House in Wiltshire, now the property of Mr Peter de Savary, will be on the premises on Wednesday and Thursday. The event has lost some of its sparkle, since the Royal Armouries at the Tower of London have raised the £580,000 needed to acquire for the nation the Littlecote armour, the best collection of Cromwellian armour to have survived.

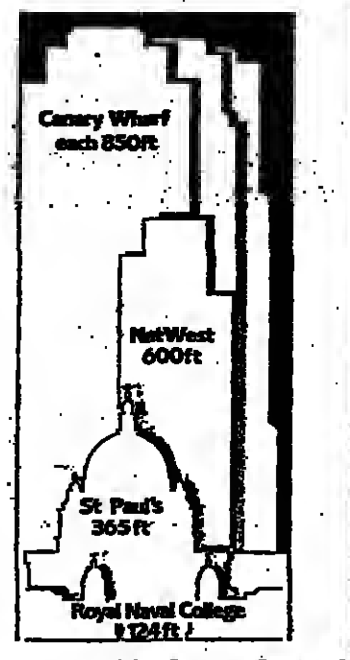
Even so Mr de Savary hopes to raise £3m from the contents. Of special importance is the fine oak furniture, including a James I shovelboard table of around 1620 (estimate £8,000-£12,000) and a rare 16th-century Scottish cupboard (also £8,000-£12,000).

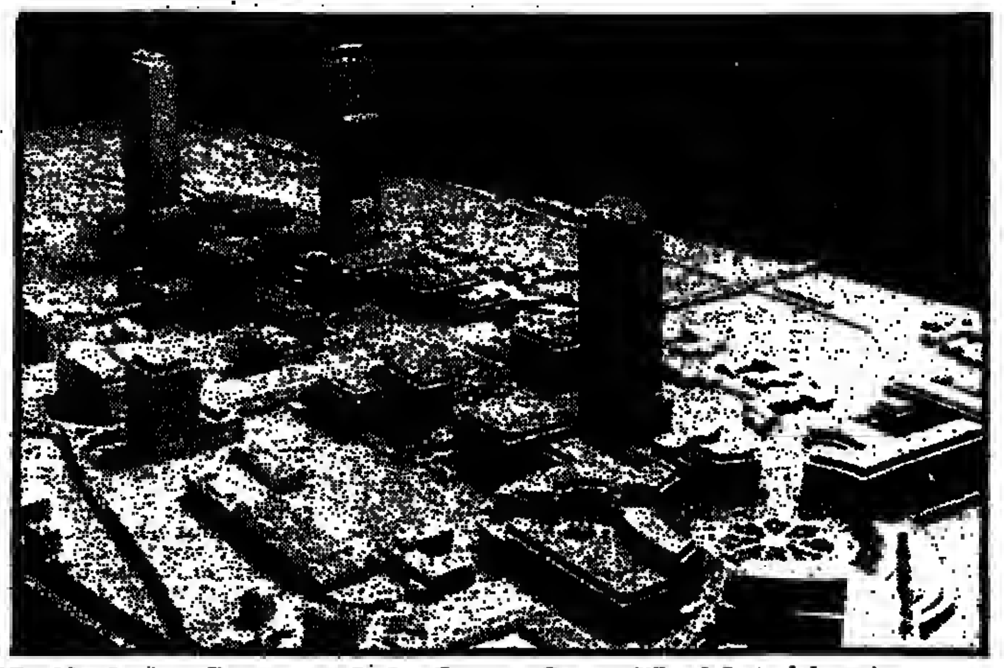
The most interesting painting is a prospect of Littlecote painted about 1705, with many country pursuits discernible in the background (£60,000-£80,000).

Architecture

Colin Amery

Towering glory for London's Docklands





The future shape of Docklands — outline propos als for the new Canary Wharf financial centre

London Docklands looks like Milton Keynes without the countryside. Much of the new development has been too modest and what little planning there has been has seldom risen above the bollard and cobblestone level. When the place was full of ships unloading the fruits of Empire it had a mercantile grandeur — something the London Docklands Development Corporation has found hard to emulate. They have tried to bring appropriate jobs and new homes to the area but it has taken the creation of an Enterprise Zone on the Isle of Dogs and the energy of an American developer to force the whole issue of the *scale* of the necessary redevelopment.

Mr G. Ware Travelstead is behind the consortium of First Boston Real Estate, Credit Suisse and Morgan Stanley International which wants to build nearly 10m sq ft of offices, hotel and retail space on Canary Wharf in the Isle of Dogs. The outline proposals as presented recently show three towers of offices, each of them reaching a maximum 850 feet.

Last week I would like to have been on board the launch that conveyed the Royal Fine Art Commission down the Thames to Greenwich to view tha site from the Observatory Hill and to look closely at the Isle of Dogs. This venerable group of architects and others who worry on our behalf about aesthetic matters had a very jolly outing and then issued a statement.

They said that they warmly welcomed the imaginative idea but they did not feel that the scheme had been thoroughly thought through and that it needed "clarification, development and modification." They generally supported the idea of towers but suggested that they be grouped differently — particularly one proposed tower that lies on the axis of the vista through the Royal Naval College as seen from Greenwich. They asked that this tower should not be built in this position.

The Royal Fine Art Commission offered to engage in a constructive dialogue and Mr G. Ware Travelstead told me that he was, "certainly going to take to heart their criticisms."

There are powerful architectural names behind this proposal. SOM (Skidmore, Owings and Merrill) — the largest architectural firm in the US — with I. M. Pei and Partners of New York, will be responsible for the infrastructure and planning, with the support of the London firm YRM (Yorke Rosenberg and Mardall).

They have produced what is in effect a study to get the agreement of the LDDC to the massing. What has not been made clear until now is that the three towers will be designed by different architects. Khon Pedersen Fox will design one of them. This is a New York firm which has designed some of the more interesting tall buildings in that city, not least 383, Madison Avenue for Mr G. Ware Travelstead.

There has already been predictable opposition to this scheme from those who think all high buildings are anathema to London. Local conservationists have creaked into action to preserve a view which is largely an illusion. London's towers are clearly visible from Greenwich; three grand towers on the Isle of Dogs seem to me to be exactly what is needed to raise the whole scale of London's expansion to the East.

There are towers and towers. Mr G. Ware Travelstead told me last week that he wants "soaring, gracefull, elegant towers." They must be that. There are going to be enormous benefits to the growth of London as a financial centre if the enabling legislation to be placed before Parliament later this month is passed to allow the extension to the Docklands Light Railway underground to the Bank. Granted parliamentary approval the developers will fund this, probably to the tune of some £25m, and it will be the key to the success of Canary Wharf's commercial viability.

Why are there such worries about towers? This is not a tight-knit site like Mansion House Square, surrounded by historic buildings. Docklands needs to scale-up *all* its development and its potential to supply jobs. These towers are a new building type that the financial world needs. The floor to ceiling height will be 14 feet, allowing for a two-foot raised floor, and the much bandied-about 850 feet is the *maximum possible* height for the site — the final designs may well be less. Architects in this country have seldom had such an opportunity to design beautiful buildings.

It was inevitable that protesters would call for a public inquiry but this goes exactly counter to the whole idea of the speed and energy needed to elevate the whole area. Endless public inquiries in the past have done little to enrich the environment or produce better architecture. Work could start on this site in spring next year, but its success is the key to the general raising of standards in Docklands; architecturally it *has* to be brilliant and Mr G. Ware Travelstead must be watched like a hawk.

Vassa/Greenwich

Michael Coveney

An intriguingly ambitious project at the ever resourceful Greenwich Theatre restores Janet Suzman, one of our leading emotional actresses, to the stage and introduces to the British repertoire Gorky's last play, a second version, published a few months before his death in 1936, of the 1910 *Vassa Zheleznova*.

The first Vassa was a study of a matriarchal bourgeois heroine who is running the family shipping business, a steamship company, in Nizhny-Novgorod (Gorky's home town) on the Volga. The revised play brings on Vassa's revolutionary exiled daughter-in-law, Rachel, as an ideological opponent of Vassa. Rachel, married to the sickly Fyodor, wants to return to Switzerland with her son whom Vassa has billeted in the country with a view to nurturing him as her rightful heir. Vassa's husband is a brutal tenuous longing from time to time before daring to sit on it; drunk facing a criminal charge of corrupting minors. In the second version, this pathetic captain's fate is confined to the first act, which ends with his death in mysterious circumstances.

The Greenwich production by Helena Kaut-Howson, making free with both Gorky and Tania Alexander's translation, is a mixed evening, unevenly cast and played at a crawling pace on Douglas Heap's spacious white-shuttered room. Melancholy foghorns pierce the domestic gloom as Miss Suzman enters, heavily furred, to embark upon a series of grim exchanges with an exhausted, tyrannical sensibility. The 1936 play gives her two daughters, aged 18 and 16, who alone, with Fyodor, have survived from her brood of nine. This makes sense of Vassa wanting to keep Rachel's little Kolya.

But Miss Kaut-Howson has confusingly replaced the second daughter, Ludmilla, with a whining, retarded 15 year-old boy in a sailor suit, Pavel (a stridently pathetic creature in the first play), who would obviously have claims on the business before Kolya. The cutting of the court official, Melnikov, and his son (who is a suitor of the elder daughter Natalya), as well as of Vassa's manager Gury, creates a few more problems of narrative elision and, more importantly, emotional motivation for Vassa herself.

The rhythm of the production is never quite convincing although the confrontation between Vassa and Rachel—a role taken at short notice by Amanda Boxer who has a thankless task—never rises above the merely banal. The director has placed a child's chair downstage right which the maternal rivals eye with portent but you half expect Rachel to stiffen her claim by responding to the still rife rumours surrounding the captain's death. This never happens.

Pre-1917 decadence is embodied in Tony Rohr's lurching resident brother who collects padlocks and encourages children to get drunk. Miss Suzman, a little uneasy, looks ravishing in russet hair and costume, effortlessly exerting authority when she steals lethally upon a possible conspiracy, or turns viciously on her daughter. Having denounced Rachel as an unworthy mother she then prepares to shop her to the police.

The best support comes from the marvellous Gillian Martell as the shiftily reproachful, deceitful secretary, and Greg Hicks, an insinuatingly flirtatious chauffeur given to frenzied one-man dance exhibitions at the drop of a balalaika. Collectors of such things will note an ongoing coarse performance as the debauched captain by Wilfred Harrison, recently relieved of his post at the Bolton Octagon after many years of valiant service.

Opera 80 in Blackpool

Max Loppert

Between now and the end of March, Opera 80—supported in its fifth season of existence (as in the four previous) by Martini—takes its latest programme of *Don Giovanni* and *The Rake's Progress* around the country; this weekend, on the third of a 22-stop tour, the company played at the Blackpool Grand. Both operas are new productions; the former is by a long lap the worst thing Opera 80 has done in its entire lifespan, and deserves to provoke much head-shaking about what exactly it thinks it's up to. Luckily, and as fair compensation, the Stravinsky opera receives one of the best Opera 80 productions, so company values and ideals have not been completely abandoned after all.

Pleasanter matters first: The *Rake's Progress* turns out to be extremely well suited to the requirements of a small orchestra and one-to-a-part chorus (as ever, one set of Opera 80 principals does chorus duty in the other production). The musical bone structure of each scene is articulated with helpful clarity and (in the circumstances) no serious loss of flesh; balance between instrumental notes and sung words has seldom been clearer.

There are no large voices in the cast, but nobody needs to force, and as a result the "animal" grace of Stravinsky's vocal lines is wonderfully evident. Stephen Barlow, a conductor who gained *Rake* experience at Glyndebourne, makes good use of it, and of his forces (which include good horns), to encourage this unforced, easily flowing quality of performance. If anything, Saturday's performance seemed to overdo the relaxed ease, particularly in the climactic scenes, which felt not quite up to speed. But how beautiful the work sounded!

For reasons that may have to do with Stravinsky's triumphantly achieved amalgamation of musical styles, this is an opera that responds to modern dress better than most others not so intended. Richard Jones' production in Nigel Prabhavalkar's designs may not have quite the sharpness of impact recalled from the punk *Rake* at the Royal Academy four years ago, and can perhaps be faulted at one or two points for lacking specificity of detail (the portable-object solution to the variation of a single set was not entirely efficacious in the cemetery and madhouse scenes). But the fast, fleet-footed movement of the set and the similar style adopted by all the actors respond vividly to the crystal cut of the musical patterns; there is an understated showmanship in Mr Jones' handling, and a wit, that the creators would surely have enjoyed—Baba's array of electrically motivated gewgaws, including a pink bunny with waggling ears, gives particular pleasure.

Most of the cast proves exactly right for the pinpoint small-theatre *Rake*. Paul Horrhy plays the "shuttle-headed lad" with limber looseness and a wide-eyed boyishness gradually effaced; his utterance of words is most beautiful and if the voice is not yet equally adjusted in all registers (the top seemed especially to tire towards the end of a long opera), he makes an exceptionally graceful and touching Tom Rakewell. Susan Bickley, young for Baba, never strains to project her awkward range, for Anne's most pellucid phrases Lynne Davies' tone is somewhat thin, but she manages it sensitively. Best of all is the Nick Shadow of Steven Page, thin, laconic, taut-drawn in a black suit, flashing cold fire with a raised eyebrow; he lacks volume for the final raging outburst, but nothing in supple, subtle delivery.

This is just the sort of work Opera 80 is supposed to be doing — introducing one of the classics of opera (for that, beyond argument, is the status that *The Rake's Progress* now demands) to places unfamiliar with it in a way that will win Stravinsky and Auden-Kallman new admirers. I cannot think what Steven Pimlott had in mind in putting together a *Don Giovanni*, meant to serve the same purpose, that will probably send audiences away convinced that Mozart and Da Ponte were pretentious poseurs.

Mr Pimlott, who has previously given Opera 80 some intelligent and careful modern-dress adaptations, certainly deserves the insult this time round. His production, played in a louring black-walled single set, attempts to purvey some sort of modern dream (this information was contained in a note available only to the Press, not to the audience at large). The form it takes is actually the familiar undergraduate recourse — coarse, violent, "alienated" doings (lots of blank faces and scrabbling rudely on the floor) that invert the sense of the action to disgorge nothing more than tedium and fearsome confusion. What is bad undergraduate opera doing on a 22-stop tour?

Confusion is the keynote. What happens on stage bears almost no relation to its programme summary (such informal remarks as I overheard, indicating widespread mystification and bafflement, ought to make the instigators of this pretentious claptrap hang their heads in shame). The good features of the musical performance (which include competent singing by the soprano Vivian Tierney, the tenor Paul Nilon, and the leading baritones Tim Yealland and James Patterson) seemed in the end entirely beside the point, and totally squandered. Such a waste of money — the Arts Council's as well as the sponsors'—and of young talent, to such an end, is an outrage.

Triple bill/Guildhall School

Rodney Milnes

The triple bill of 20th-century operas — *L'Heure espagnole*, *Mavra* and *Gianni Schicchi*—mounted by the Guildhall School of Music and Drama last week was ideally chosen not only for showing off the students (numerous roles, large and small) but also for stretching both them and the college orchestra. None, under the professional guidance of Stephen Barlow (conductor) and Ian Wott-Smith (producer), were found wanting: the standards remain impressively high.

The Ravel was sung in French, in accents ranging from the acceptable to the near-Serbo-Croat—a pity, since the double meanings with which this deliciously filthy little opera is studded came and went with scarcely a snigger. Viola Tunnard's first-rate translation should surely have been used. The strongest musically, with Mr Barlow and his players revelling with Gallic discretion in the technicolour score, it was the weakest dramatically. The production lacked the chastity through which true wickedness emerges: one knowing leer at the audience (there were several) and all is lost. But Sarah Pring's smoothly sung Concepcion and Sobhi Bidair's French-sounding, fluent Gonzalve (he sounded less at ease in the Puccini) were admirable.

The Stravinsky boasted three well-contrasted female voices: Juliet Booth, sweetly lyrical and nippy of phrase as Parasha; Katherine Kraker, gritty and incisive as the Neighbour; and Jane Mitchell, a warm-toned, histrionically confident Mother. All three, together with Joseph Cornwell's promising tenor Vassili, showed remarkable skill in penetrating the composer's unhelpfully opaque woodwind textures, realised by the players with sure rhythmic sense. But what a tiresome little piece it is.

Robert Poulton, last spring's outstanding Falstaff, easily dominated an exuberantly staged but orchestrally rather lumpy reading of *Schicchi*. He exudes quite extraordinary confidence on stage of the sort that will see him safely into one of our national companies, quite apart from his beautifully aven, clearly projected baritone. His Schicchi, even though made up to look disturbingly like Bruce Forsyth, exerted irresistible charm and wit. He had competition, though, from Raehael Hallawell's upwardly mobile harridan of a Zita, and from Charles Johnston's Betto, an uncomfortably realistic portrait of a shambling wino. Elizabeth Rodger's alert Lauretta suffered from too soupy a reading of her big number: her as yet fragile soprano couldn't quite ride the wave.

All three operas were performed in Edwardian dress—which oddly enough works rather well in *Schicchi*—against an artfully adaptable permanent set by Terence Emary. As always at the GSMD, the general level of accomplishment made the gap between student and professional standards very narrow indeed.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

Nov 15–21

LONDON

Philharmonia Orchestra and Chorus, conducted by Carlo Maria Giulini, with soloists including Robert Tear, tenor, and Bernd Weikl, baritone. Bach B minor Mass. Royal Festival Hall (Mon). (9283191).

Royal Philharmonic Orchestra, conducted by Andrew Litton, with Jean-Bernard Pommier, piano. Tchaikovsky, Chopin, Elgar. Barbican Hall (Mon). (6388891).

London Philharmonic Orchestra, conducted by Andrew Davies, with Gidon Kremer, violin. Strauss, Paganini, Beethoven. Royal Festival Hall (Tue).

Peter Frankl, piano. Haydn, Mozart, Beethoven, Schubert. Queen Elizabeth Hall (Tue). (9283191).

Andrei Gavrilov, piano. Chopin and Rachmaninov. Barbican Hall (Tue).

PARIS

English Chamber Orchestra, conducted by Nicolas Braithwaite. Bach, Mozart, Purcell (Mon, Tue) Salle Gaveau (45632030).

Vlado Perlemuter, piano. Fauré, Ravel (Mon). Théâtre des Champs Elysées (47234777).

Luciano Pavarotti, with the Paris Opera Orchestra (Tue). Zenith, 211 Ave Jean-Jaures (42455750).

NETHERLANDS

Amsterdam, Concertgebouw. The North Holland Philharmonic and the Stem des Volks choir, conducted by Wouter Schmidt; vocalists Ellen van Lier, Monique Noten and Peter Kooi; Kees de Wijs, organ. Brahms, Fauré Requiem (Tue). Frans Brüggen conducting the Orchestra of the 18th century. Rameau, Beethoven, Mozart (Wed). The Concertgebouw Orchestra under Hans Vonk; vocalists Hein Meens, Henk Smit, Charles van Tassel, Gus Hoekman and Lieuwe Visser. Escher, Schat (Thur). Recital Hall: Cologne Chamber Ensemble. Bach, Vivaldi, Albinoni, Molter (Mon). Theo Olof, violin. Bach (Tue). Lunchtime concert from the Tancredi Trio (Wed). The Allen Berg Quartet. Haydn, Webern, Schubert (Thur). (718345).

BRUSSELS

Palais des Beaux Arts: Henry Raudales, violin, and Kyoko Hashimoto, piano. Leclair, Beethoven, Ysaye, de Sarasate (Wed). (5125045).

ITALY

Rome: Auditorium via della Conciliazione: Yehudi Menuhin conducting Mozart's La Clemenza di Tito in concert form with soprano Elizabeth Connell and Beatrice Haldas; mezzosoprano Doris Soffel and Anne Howells; tenor Gosta Winbergh; bass Stafford Dean. (Mon and Tue). English concert conducted by Trevor Pinnock. Bach and Händel (Thur). (6541044).

SPAIN

Madrid, Fundacion March, Castello 77. José Rada, Harpsichord, D. Scarlatti. (Wed).

VIENNA

Vienna Chamber Orchestra, conducted by Johannes Lihel, with Heinrich Bruckner, Trumpet. Mozart, Kern, Telemann, Schubert Saal, Konzerthaus (Thur).

TOKYO

Tokyo Philharmonic Orchestra, conducted by Robert Benzi; piano Tatyana Nikolayeva: Haydn, Bach, Ravel. Tokyo Bunka Kaikan (Mon). (2569696).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Bennett Lerner, piano. All-Copland programme commemorating the composer's 85th birthday with the world premiere of Proclamation. (The, Zubin Mehta conducting; Wynton Marsalis, trumpet; Philip Smith, trumpet. Mendelssohn, Vivaldi, Haydn, Dvořák (Thur). Lincoln Center (8742424).

WASHINGTON

National Symphony (Concert Hall): Rafael Frühbeck de Burgos conducting; Franz Helmerson, cello: W. Schuman, Bach, Tchaikovsky (Tue); Antal Dorati conducting: Haydn, Bartók, Brahms (Thur). Kennedy Center (2548116).

CHICAGO

Chicago Symphony (Orchestra Hall): Chamber series with Landolfi Ensemble: Spohr, Debussy, Taneyev, Dvořák (Wed, 5.45); Neeme Järvi conducting, Yefim Bronfman piano; Lyadov, Rachmaninov, Stenhammar (Thur). (4358122).

Wine

Record prices for new Burgundy

Prompted by very promising reports of the quality of the 1985 burgundy vintage, prices of the new wine at the annual Hospices de Beaune auction yesterday reached unprecedented and largely unexpected heights.

The prices of the red wines less plentiful this year were about 50 per cent up on last year and the top price paid for a cuvée was FFr 78,000 for a cask (24 dozen bottles) of the Hospices' Côte de Nuits wine, Mazis Chambertin.

The white wines that rose very sharply in price last year were around 33 per cent higher, but owing to the publicity and charity aspects of this sale such large price increases are unlikely to be followed in the general trade.

The highest white wine price was FFr 115,000 for a cask of Corton-Vergennes.

Among foreign buyers the Swiss were particularly prominent, as were the Japanese. There were a number of British buyers, but the Americans affected by the lower dollar were not evident, except for white wines where they swept the field. The total of 555 casks sold was a record of more than FFr 22m.

EDMUND PENNING-ROWSELL
Beaune

Saleroom/Antony Thorncroft

Strads fail to sell

Sotheby's experienced a real disaster last week when its musical instruments sale, the most important for over a decade, came badly unstuck. For the first time in a century it was offering four instruments by Stradivari, three violins and a cello, in the same auction. None of them found a buyer.

One of the violins, the Lady Blunt (so-called, after a previous owner), is considered to be one of the finest violins made by the Cremona master. It dates from 1721, the height of his "golden period." When it last appeared at auction in 1971 it sold for £84,000, a record for a musical instrument.

The best bid on Thursday was £820,000, just below the reserve. The owner, and Sotheby's, was hoping for £1m and negotiations are in progress behind the scenes to fix a private deal.

Two more Strads from the same vendor, The Wilhemj and the Red Diamond, were unsold at £400,000 and £180,000; the cello was bought in at £290,000. Obviously at this price level there are very few potential buyers, they might be happier dealing outside the glare of the auction room. In all, the musical instruments auction was a colossal 70 per cent unsold, mainly because of the Strads.

One consolation on Thursday for Sotheby's in London was the price of £79,200 for a triptych signed by George Kleitzas, the late 16th century Cretan artist: it was a record for a Greek icon.

Sotheby's had an extraordinary success with its important sales of Impressionist paintings in New York on Wednesday night. This is usually a difficult market and the earlier auctions at Phillips and Christie's had some problems. But Sotheby's disposed of the thirty works from the collection of Albert J. Dreitzer for £8,462,872 ($9,565,050), with only 1 per cent unsold, and its general sale which followed brought in £12,278,378, with a reasonable 9 per cent bought in.

The main result's from the Dreitzer pictures were the £1,228,351 paid for Nympheas by Monet; £1,040,541 for another Monet: Trois peupliers; effet d'automne, acquired by the dealer Wildenstein; £706,081 for Jeune fille en rouge dans les champs by Renoir; and an auction record price of £118,919 for Utrillo, for a typical Montemartre street scene.

In the general sale there was an auction record for a Matisse sculpture of £706,081, paid for a 1908 bronze, Figure Décorative. A Renoir, Baigneuse, was on target at £1,114,865; La blouse bleu by Matisse realised £998,216; and another Matisse; Artiste et son modele dans l'atelier, went for £780,405.

Arts news in brief . . .

At part of the 400th anniversary celebrations of the City of Westminster, the Royal Ballet hopes to stage the first performance of a new production of *Giselle* on Thursday, November 28. The ballet, with choreography by Marius Petipa, Jean Coralli ond Jules Perrot, will be produced by Peter Wright. The cast includes Lesley Collier in the title role and Stephen Jefferies as Albrecht.

*

The Arts Council has awarded nearly £18,000 in bursaries to 21 jazz musicians. The grants, from £400 to £1,350, go to enable projects including the percussionist Paul Hession's work with improvising musicians in Germany and Esmond Selwyn's transcription and annotation of tha recorded works of the American jazz guitarist Tal Farlow.

*

Playwright Sarah Daniels has been awarded o £2,500 theatre writing bursary by the Arts Council. Ms Daniels, who lives in Tottenham, North London, won the George Devine Award in 1982 for *Neaptide*, to be performed at the Liverpool Playhouse next spring. The bursary will enable her to research and write o play about the lives of patients discharged from psychiatric hospitals to group homes in the community.

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Monday November 18 1985

A civilised agreement

THE Anglo-Irish Agreement 1985 signed by the British and Irish Prime Ministers at the end of last week is precisely what it says it is: an agreement, not e settlement.

The only comparable pact in Anglo-Irish relations in recent history was the Sunningdale agreement of 1973. That foundered upon the vagaries of British politics: a miners' strike, a change of secretary of state in Northern Ireland, e premature British general election and — not least — the determined resistance of the Ulster Unionists which the British Government was too feeble to stand up to.

The Sunningdale agreement was more ambitious. It proposed the establishment of a Council of Ireland to be made up of representatives from north and south. It can be seen in retrospect that that was going too far, too fast, for the climate of the time, and would be probably going too far even now.

The agreement signed last week is realistic, in many ways even modest. It does not diminish either British sovereignty in Ulster or Irish sovereignty in the Republic. It is a civilised acknowledgement that the two governments most affected by the Irish troubles should work together to resolve a common problem.

There were two concessions: one British and one Irish. The British have accepted, in e way that Mrs Thatcher would not when first she became Prime Minister, that Dublin has a role to ploy — even if it is only an advisory and consultative role —in the affairs of the North. The Irish concession is to place on record that there can be no question of the unification of Ireland without the consent of the majority of the population in Ulster. To that end, there will have to be o reconciliation between the communities in the North before there can be any serious consideration of Irish unity.

Destructive

That is what the agreement is about: there must be peace and stability in Northern Ireland before there can be peace and stability in all Ireland. The present British and Irish Governments will work jointly to create the conditions. It would be exceedingly foolish of either of them to backtrack now: having put the Irish question at the top of the political agenda, they must ensure that it stays there until the agreement begins to turn into a settlement.

There are, however, two other prerequisites. It would help if Mr Charles Haughey, the leader of the opposition in the Irish parliament, could bring himself to support the agreement. He did, after all, put his name to the report of the New Ireland Forum last year which was an important factor in the accommodation now reached between London and Dublin. Mr Haughey is a clever man, but one capable of being devastatingly destructive in opposition. He needs to think very carefully about how far to oppose an agreement that is certainly the best, and perhaps the only one, to be got out of the British Government.

It would also help if the leaders of the Ulster Unionists could grow up. There have been calls over the weekend for a referendum before even the present modest proposals can be accepted by the people of Northern Ireland. It has been suggested that Unionist politicians should boycott British institutions in protest, and all the interests of keeping Ulster British.

Excessive

That is not so much a paradox as manifest nonsense. If there is to be a referendum—and there is absolutely no reason why there should be—it should include the people of Britain who might like to give their own view of what they think of Mr Ian Paisley and his colleagues. However Mr Paisley's behaviour may be described, it is not traditionally British. The British have o history, sometimes slow to emerge but usually there in the end, of tolerance for minorities. That cannot be said of the extreme Ulster Unionists and their attitude to the Catholic community in the North.

Some other questions might be asked in Britain: for instance, how long should the country tolerate an excessive level of public expenditure in Northern Ireland for no obvious benefit, and is a Unionist extremist who uses violence to frustrate the agreement by force really so different from a member of the Provisional IRA?

None of that questioning will be necessary if the majority of the people of Ulster dissociate themselves from extremist leaders and accept that the agreement is the best available. They should note that that is what the bulk of British politicians has already done. All British parties will be voting for reason, not violence.

Reagan: strength, realism and dialogue

By Reginald Dale in Geneva

AT 10 am Swiss time tomorrow morning President Ronald Reagan will greet Mr Mikhail Gorbachev at the back door steps of an elegant Geneva lakeside mansion with the first top-level super-power handshake in six years.

US officials believe that the next 15 minutes, which the two men will spend alone with their interpreters in the dining room to "break the ice" could well set the tone not only for the two-day Geneva summit but for US-Soviet relations in the months and years beyond.

Never a man for the minutiae, Mr Reagan will not be trying to negotiate detailed agreements with his Soviet counterpart. He will rather rely heavily on his personal cherm, and his ability to set people at ease, to try to establish a working relationship with a man 20 years his junior to whom he has only half jokingly offered to give some "fatherly advice."

His aim, he has repeatedly stated, is to dispel the fog of mistrust and suspicion that has

shrouded super-power relations since the last Carter-Brezhnev summit, in Vienna in 1979, and to build the foundations of a "dialogue for peace" reaching beyond his presidency end into the 21st century. Unlike past summits, which have ratified major arms controls agreements, the Americans view Geneva as the beginning not the end of a difficult and painstaking diplomatic process.

In recent weeks, his officials say, Mr Reagan has been intently studying the history of the post-war years and the "inexorable forces" that have driven the US and the Soviet Union into worldwide ideological and military competition. He has concluded, in the words of his White House spokesman, that a "fundamentally different" approach is now required from that of preceding post-war presidents.

What this means in e nutshell, his advisers say, is that US interests have not been served by past oscillations between cold war and the "naive notion that the Soviet Union can change." The new course is to be based on "strength, realism and dialogue." The US accepts both that competition between super-powers is inevitable and that Americans cannot change the Soviet system. The point is to ensure that the competition is peaceful.

Where this approach differs from those of former Republican Presidents Nixon and Ford, tha White House finds it hard to say. But it certainly differs from the first three years of Mr Reagan's own time in the White House — the glacial era of his "evil empire" rhetoric and the virtual suspension of super-power relations.

Confronted with a swift succession of three ailing leaders in the Kremlin, Mr Reagan had some reason not to engage in active summit diplomacy. In last year's election campaign, he had little difficulty brushing aside the Democrats' taunt that he was the first American president in half a century not to have met his Soviet opposite number.

The emergence of the 54-year-old Mr Gorbachev as leader earlier this year — and the prospect that he could be around for the next 20 years or more—has altered Washington's perspective. But Mr Gorbachev's arrival has also coincided with a new set of American political circumstances that make Mr Reagan reedy for dialogue in a way he oevor was in his first term.

First and foremost, Mr Reagan believes that he has now rebuilt the US as a world power, after a decade of military and political decline. He has restored the nation's self-confidence. The economy, if not booming, is at least prospering in relative terms. With no elections immediately imminent, and his own re-election a constitutional impossibility, he can take a longer-term view. History beckons.

For all these reasons, Mr Reagan believes that he can deal with Mr Gorbachev from a position of strength. For his part, Mr Gorbachev, in Washington's assessment, has his own political and economic incentives for forging a less hostile relationship — not least his desire not to divert scarce economic resources to a new arms race.

That is also largely true of the US Congress. So the US in Geneva hopes to make the most of the pivotal moment at which the main spending decisions of Mr Reagan's build up lie behind him and a period of lower defence spending and possibly greater economic difficulty still lies ahead.

Equally, it suits the Administration not to be confronted with immediate, difficult decisions on arms control, however much Mr Gorbachev may press for them. The internal battle in Washington is far from over —as graphically, and embarrassingly, demonstrated only this weekend by the leaking of a private letter from Mr Caspar Weinberger, the defence secretary, urging Mr Reagan to make no concessions.

If the moderates in Washington remain suspicious that Mr Reagan will not make enough effort to reach an arms control agreement, the Right still fears that he will make too much. Despite the economic and political constraints on defence spending that lie ahead, hawks in the Pentagon and outside it still believe that the US could, and perhaps should, win an unfettered arms race.

Apart from the vocal rightwing, however, Mr Reagan has come to Geneva with a broad basis of political support. Both because they support superpower diplomacy and because they do not want to be accused of undermining the President, the Democrats are — for the moment at least — giving Mr Reagan's "mission for peace" their full backing. The nation as o whole, overwhelmingly favours his decision to go to the summit and is likely to contine to approve of his efforts, even if Geneva produces little more than an agreement to hold more talks.

"People think we ought to talk to the Soviets, ought to talk to them more than we do, but they do not trust the Soviets much," as one presidential adviser puts it.

That is not far from Mr Reagan's own view. If the tone of his approach to Moscow has changed, his underlying beliefs have not. What has happened is that Mr Reagan's ideology has once again proved susceptible to pragmatism.

Nevertheless, his well known past as an evangelistic anti-Communist, and the prominence of the right-wing lobby in Washington, will not make his task this week any easier. Mr Gorbachev, according to US officials who met him in Moscow two weeks ago, firmly believes that Mr Reagan is in the grip of the "military industrial complex and bent on destruction of the Soviet system."

What Mr Reagan plans to tell Mr Gorbachev goes roughly as follows: the US does not intend to threaten the Soviet Union militarily or try to change its society. If detente foundered at the end of the 1970s that was the fault of the Soviet arms build up and Moscow's worldwide expansionism. He is ready for a fresh start if the Soviet Union will modify its behaviour.

This would involve both a Soviet agreement to find political solutions to regional conflicts in countries like Afghanistan and Nicaragua and a "correction" of Soviet violations of past arms control agreements. Strategically, the super-powers should together plan a shift from deterrence that relies on massive nuclear retaliation to non nuclear defensive systems that "kill weapons not people."

It is not clear that Mr Reagan understands haw hard this is going to be for Mr Gorbachev to swallow. It seems to demand concessions only from Moscow, and it seeks to establish the US Star Warfs spaco defence programme as a fact of life.

Moreover, in hroadening the US summit agenda in recent weeks, Mr Reagan has simultaneously rendered it more provocative. His United Nations initiative on regional conflicts last month appeared to call for an end to Soviet support for regimes that Moscow regards as its allies without any American quid pro quo. And his proposal for vastly expanded "people to people" contacts last Thursday could easily be interpreted as seeking to undermine Moscow's control over its own society.

In both cases, Mr Reagan appeared to be aiming to star in the limelight of domestic US opinion, rather than on tha hroader world stage that awaits him in Geneva. And however charming he may be he himself would be tha first to admit that he is not going to alter many of Mr Gorbachev's deep-rooted convictions about the US in ten to 12 hours of conversation.

Against the background of an all-out campaign by Washington to drive down expectations in the past two weeks Mr Reagan has made it plain that e crack in the ice — and an au revoir — should be enough to satisfy him.

Moscow: in search of a new balance

THE SOVIET conviction has grown in recent weeks that the Geneva summit is, at best, the start of a sustained diplomatic dialogue with tha US rather than the prologue to substantive negotiations on the reduction of nuclear arms.

That watershed in expectations came with the visit of Mr George Shultz, the Secretary of State, to Moscow at the start of the month. In 14 hours of talks with Mr Gorbachev and Mr Eduard Shevardnadze, the Foreign Minister, Mr Shultz raised 26 topics of mutual concern. He found common ground on only five or six of them, and these were not the key ones.

But the Soviets, like the Americans, have no desire to see the summit fail publicly. They will be pleased if it produces an understanding that the US will extend the Salt II agreement, which expires at the end of this year. They would like to see the US agree to continue to abide by the ABM Treaty of 1972 as interpreted by both sides.

Star Wars, tho Strategic Defence Initiative, still remains the crucial sticking point preventing substantive negotiatous on nuclear arms reduction. Mr Gorbachev underlined this last week when he spoke of a time in ten or 20 years when US nuclear weapons mounted on satellites would hover over the Soviet Union. Star Wars may provide the consolation of a tactical advantage for the Soviets in that it creates a diplomatic opportunity to divide West Europe from the US. But this is far outweighed by the military threat posed.

Mr Gorbachev and Mr Shevardnadze have strengthened the direction of Soviet foreign policy and somewhat modified the rules under which it is conducted. "All the Kremlinologists should have resigned with Gromyko," said one ambassador in Moscow month.

This is more than a change in style and foreign perceptions of tho Soviet Union. The needs of the country itself have altered as well as its leaders. In order to raise economic growth and the quality of production, Mr Gorbachev needs to know the precise degree of threat the Soviet Union will face from the US. On this depends the level of future Soviet defence allocations. He also needs to show the next party congress in February that his approach to foreign affairs is bearing fruit.

Mr Gorbachev and Mr Shevardnaze are both more flexible and more competitive than their predecessors. President Brezhnev and Mr Gromyko, Foreign Minister for 28 years, may have claimed they had achieved military and political parity with the US through Salt I and Salt II, but the new leaders are confident men who see themselves equal in power to their opponents and demanding visible equality before the world.

The Summit may, therefore, reduce the level of abuse between the super-powers. But the more dynamic Soviet approach is likely to intensify competition with the US, the Third World, Western Europe and Asia. Moscow is also concerned that any display of greater Soviet flexibility should not be interpreted as a sign that President Reagan's tough posture since he was elected has brought the Soviet Union to heel.

The Kremlin is pleased overall to have better contacts with the US. But it is still unclear about the new balance between co-existence and competion for the super-powers. It is this which Mr Gorbachev, as ho grapples with the problems of the Soviet economy, will want above all to explore in Geneva.

Patrick Cockburn
in Moscow

Jobs for the boys in local councils

FOR THE first time in recent years the British Parliament is not to be swamped in the current session with controversial local government legislation.

The words "local authorities" did not pass the Queen's lips in her speech oullining tho major legislation for the next year. The Government has withdrawn plans to coerce councils to privatise more of their services, not least because the evidence from the Nationat Health Service is not entirely encouraging. And although the Prime Minister remalns enthusiastic about a radical reform of the rating system, this is not on the agenda for tho 1985-86 session.

Mr Kenneth Baker's Local Government Bill, due for e second reading today contains sensible measures designed to ensure that some of the less municipally-minded Labour councils return to the traditional basis of local government —which is that, once elected, councillors serve the interests of the entire community.

Brinkmanship

The deliberate late setting of a rate as part of a campaign against central government is detrimental to the proper running of local services, makes a mockery of proper financial management and can lead to higher expenditure through extra borrowing. It is unreasonable to expect ratepayers to foot the hill for such political brinkmanship. The only pity about Mr Baker's Bill to force councils to set a ralo by the start of the financial year is that it has become necessary to legislate for common sense.

Tho clauses to ban party political advertising on the rates seem to be running ahead of the Widdicombe Inquiry on the conduct of local authority business. Although its intorim report was hostile to such advertising it said it would report on the key prohlom—tone, style and content of advertising —next March. Yet Mr Baker is already proopsing to give himself control over these matters. In any event the arbiter of such matters shonld not be in the party-political arena.

When the Widdicombe Committee publisbes its full report there will be a much more important and sensitive issue for Mr Baker to consider for legislation. He alluded to it recently when he said: "There should be a restoration of the citizen's expectation to be ehle to rely on the political impartiality of local government officers. If this means the establishment of clear, statutory rules applying to council personnel end setting limits on their active involvement in politics, so ho it." Put another way, there are too many jobs for the boys.

A survey two years ago showed that out of a sample of 231 Labour councillors in inner London 9 per cent were trado union officials, 18 per cent were economically inactive including full-time councillors living off attendance allowances and 39 per cent were employed in local government and related jobs. In Camden and Lewisham around half the councillors were dependent on local government for their salaries. Since then the individual borough figures have changed but tho problem has grown and has been joined by a new ono: the appointment of council officers on political grounds and tho growing involvement of councillors in the administration of policy.

Responsibility

In e system of local government based on service to the community rather than the party this blurring of responsibility cannot be in tho local residents' and ratepayers' interests.

Local government employs ebout 10 per cent of tha civilian labour force. To ban them all from local office could hardly be justified unloss alected office itself became a viahle alternative to full-time paid employment. Equally controvarsial, the logical answer to the growing politicisation of the most senior council officer posts would he to take the overtly political posts subject to local election. But mucb careful analysis and dehate would be oeeded before it was clear that the jobs-for-the-boys problem meritod such a shift in the conslilutional position of British local government.

Men and Matters

Kelly's come-back

The $6.1bn take-over of Beotrice Foods, the largest acquisition ever in the US outside the oil industry, is set to establish a precedent in management huy-onts. Normally these are engineered by the managerial team in situ. But in the case of Bestrice the deal will lead to the re-emergence of 63-yesr-old Donald Kelly, a fabled wheeler-dealer, who left the Esmark group wben it was hought by Beatrice just 18 months ago.

On that occasion, Kelly was seeking to mount e management huy-out of Esmark itself. He eventually threw in the towel, however, when he was out-bid hy Beatrice, which was inlent on building a hlockhuster food empire that would hring together the Esmark and Beatrice hrands in a national distribution system.

The task of managing this sprawling husiness — ranging from Tropicana orange juice to La Choy Chinese products and Hunt ketchup, to say nothing of non-food products such as Samsonite luggage and the Avis rent-a-car business — proved more difficult than the architect of the deal, Beatrice's chairman, James Dutt, had imagined. As the share price slumped, he loft tho company in August, eleoring tha way for Kelly's predatory strike.

Kelly is not giving away a great deal about his intentions for the group. But he is already re-assembling the management team which mado Esmark into a Wall Street darling. Analysts expect him to behave trua to form and sell off some sizeahlo chunks of Beatrice—at Esmark ha sold 22 companies and bought 50, including another large conglomerate, Norton Simon, in a space of only five years.

Wall Street appears a hit disappoinled tbat it will not he ohlo to invest in the new Beatrice when it goes private next year. There ore fond momories of tho way the Kelly team took Esmark's share price from $8 in 1980 to $60 in 1984.

This time around, if Kelly achieves that kind of appreciation, the benefit will largely accrue to him, the company's leading executives, and Kohlberg Kravis Roberts, the New York investment group, which in this deal has clearly sealed its position as the foremost organiser of management buy-outs in the country.

Short leases

Those wbo wonder just how long the Falklands deadlock wilt last may ohtain a clue in recent behind-the-scenes movements on the Bnenos Aires proporty market.

Diplomats in tho Argentino capital report thst in recent weeks several foreign embassies including the Canadian, Finnish and Australian, have been offered a number of smart apartmenls for rent.

On the surfece this is not a very unusual move at a time of year (the local summer) when staff transfers are common, and new arrivals tand to prefer a change of bahitat from that of their predecessors.

What is slightly out of the ordinary is thst for once the offer is not coming from Argentines keen on inflating their dollar bank accounts, hut from tho British Government.

The flats — as many as 12 according to somo — are only part of tho numerous properties acqnired by the Foreign Office over the years for its Buenos Aires Embassy staff. Many of these properties have been empty since the 1982 Fslklands war loft only o skeleton staff of British diplomats operating undor the Swiss fleg.

Foreign embassies interested in the flats have been bsggling for long leases. But British officials heve insisted on a maximum of three years — and less if possible.

As one British diplomat told his foreign opposite number "You never know just how soon we're going to need to have them back."

For the Argentines o three-year time frame for normalising relations may already ho on pessimistic side. Bnt it does concur with tho view of more sceptical observers. They have given up any hope of substantial progress until after the next British General Election.

Crossroads

The unity of the Liberal/Social Democratic Alliance looks as if it may suffer from (to use Lord Stockton's phrase) a "little local difficulty" tomorrow.

The Okehampton by-pass has come between Dr David Owen, the SDP leader, and David Penhaligon, Liberal MP for Truro.

Owen, MP for Devonport, is taking tho side of the conservationists in the region who are opposed to ronting tho new road through tha edge of Dartmoor National Park.

Penhaligon supports the view of the holiday trade in the south-west which is anxious to end the traffic jams that holidaymakers encounter every summer on the A30.

As a result, the two allies are expected to cast opposing votes in the Commons division tomorrow on the by-pass bill.

No delight

Nigel Lawson should worry about the City's "Young Turks." In Turkey itself, according to the British Chamber of Commerce journal, they really do look like becoming an economic problem.

Having locked everybody in their homes with a curfew for the October 20 population census, officials found that the country had two million more people than they had bargained for.

With the trado deficit likely to hit $3bn this year and the open door economic policy coming under some strain, the discovery was not exactly welcomed by the state planning organisation. "Perhaps during the next census, we should have a shorter curfew," said one official wistfully.

Framework

Tho Government's decision to spend more money on ronovating Britain's crumbling puhlic sector housing stock is welcome news for the ratepayers of North Hortfordshire — not because their housing is in ospecially bod shape hot because the council has a thriving little business making window frames.

The more repairs that are undertaken, the bigger the profits it is likely to make.

The district council was the first to go into husiness manufacturing all its own plastic window frames. The unit now employs 20 people, turns out more frames than the council needs, and "exports" the surplus to other local authorities.

This year, profits of around £150,000 will be ploughed into the rate fund to help restrain future rate increases.

In oddition, tho council is saving around £200,000 a year which it used to spend on repainting timber frames, and £100,000 a year on repairing and replacing them. Plastic window frames are virtually maintenance-free and have a life span of 20 years or more.

Another name

Interviewed on the BBC Radio Four channel, a woman was earnestly imploring that aid to the Third World should include more "intermediate level transport devices."

Could she give listenors an example?

"Well . . . or . . . the donkey."

Observer

FOREIGN AFFAIRS

This is just Round One

By Ian Davidson in Moscow

THERE seemed to be substantial consensus in Moscow last week on at least two points concerning the Reagan-Gorbachev summit which opens in Geneva tomorrow.

The first is that this will not be the kind of meeting that Mr Mikhail Gorbachev was expecting or at least hoping for when he agreed to it five months ago. The second is that it will be much more like the kind of meeting that President Reagan was expecting or at least hoping for — though naturally the Russians do not put it in these terms.

What is much less clear, however, is whether the meeting will be deemed to have been a success, especially by the Russians.

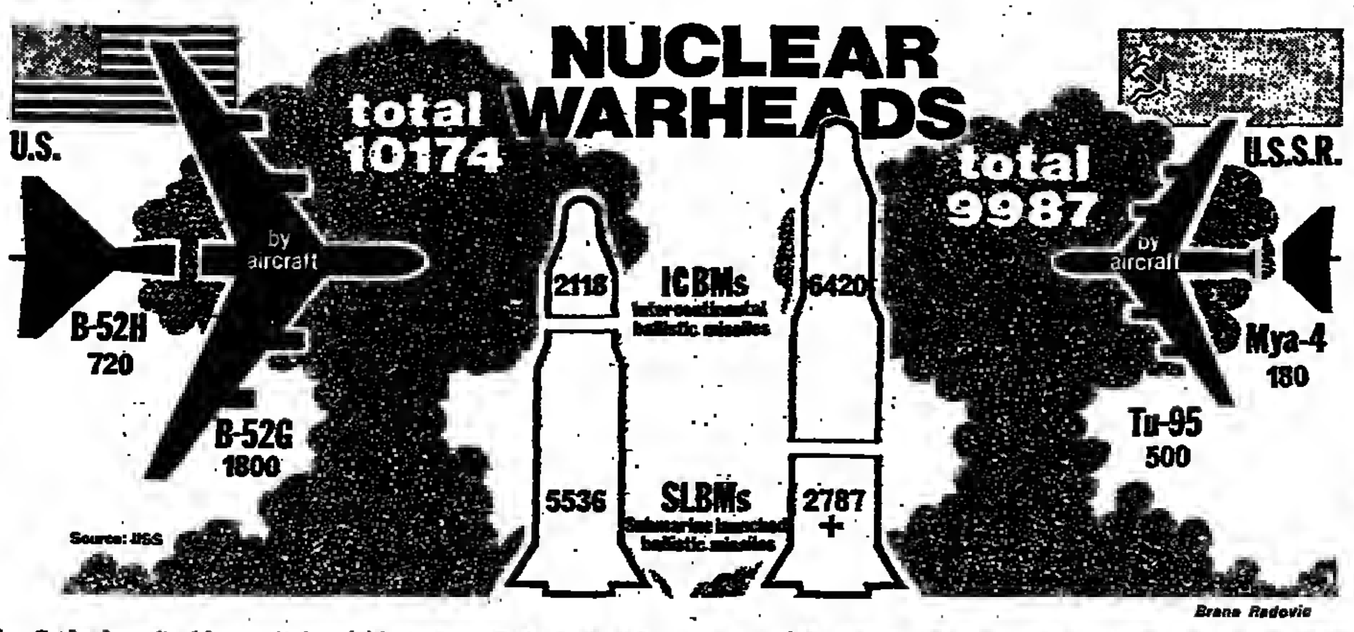
It will not be the kind of meeting Mr Gorbachev was hoping for, because it will not produce any significant agreements on the central questions of arms control, which the Russians have all along said must be the keystone of the summit. In particular it will not produce anything significant in the way of an American concession on the issue which is most neuralgic for the Soviet Union, President Reagan's Star Wars anti-missile defence research programme.

It will be much more the kind of meeting that President Reagan was hoping for, because, in private at least, Russian observers are playing up the importance of dialogue between the super-powers—with the corolory that some believe the most important result of this meeting will be an agreement to hold more regular meetings, including perhaps another summit.

The fact that there is this degree of consensus among those officials and observers, both Western and Russian, who were prepared to talk to a visiting journalist, does not mean that it is necessarily a reliable forecast.

The US Administration explicitly does not want a repitition of what it regards as the hasty Scotch-taping of last-minute agreements, as occurred at some of the summits of the 1970s.

But there are other views in Moscow. "This is just a guessing game," said one senior Russian commentator, and may be your guesses are better than mine. This is a seminal event for Gorbachev, for his gut feelings, for his mood. I back on Gorbachev and Reagan being able to break out of the shackles imposed by their bureaucracies. I do not think there will be a final communique. But anything could change at the last minute."



Brane Radovic

He was referring, I imagine, to Mr Gorbachev's significant success in public relations since he came to power. He made a big impact on Mrs Thatcher during his visit to London, and perhaps an even bigger impression during his recent visit to Paris. President Reagan prides himself on his skills as the great communicator (though some people suspect that be communicates better with a TV camera than with any individual interlocutor): it may well be that Mikhail Gorbachev will attempt to secure, by personal eloquence and "sincerity," what his officials have failed to secure by more orthodox negotiation.

Evidently the Moscow leadership once believed that it could extort some concessions from the US Administration, especially on Star Wars, first by setting a summit date which would itself exert pressure on President Reagan, second by putting forward an attractive proposal on deep cuts in offensive nuclear weapons (the famous 50 per cent offer unveiled during Mr Gorbachev's Paris visit), so as to mobilise support from the European allies of the US and from supporters of arms control in the US.

Up to a point the ploy worked. The 50 per cent slogan seemed to give Moscow a substantial edge in propagande terms, and obliged the US Administration, partly at the urging of the Nato allies, to improve on its previous offer. But it did not work well enough to extract any movement on Star Wars, partly because, beneath the superficial glitter of the 50 per cent slogan, the real substance of the Soviet offer was not attractive enough to move the European allies from interest to support, but more because the time was too short to get the negotiations to a point where the US had no option but to offer something constructive on Star Wars.

It was not attractive enough for two basic reasons. First because the Russians are trying to scoop up all the American nuclear weapons in Europe which can reach the Soviet Union, by defining them as part of America's "strategic" arsenal. The second reason is that the Russians are transparently attempting to lure the two European nuclear powers into a separate negotiation on a "Euro-strategic" nuclear balance, in which the Soviet SS-20 missiles would be balanced against the British and French strategic deterrents.

On the first of these issues, the good news is that the Soviet Union has abandoned the attempt it made during the Euro-missile negotiations, which broke down in 1983, to deny America'e right to deploy any missiles in Europe. But the bad news is that the US would have to pay correspondingly more heavily for this right by accepting deeper relative cuts than the Soviet Union.

The second issue is a mirror-image of the first. Soviet officials obstinately refuse to explain the purpose of the nuclear "dialogue" which they are seeking with Britain and France. The official Soviet position is that Moscow is not seeking reductions, nor even limitations on the British and French forces. But when I pressed a Soviet official last wek for a more plausible explanation of the point of these talks, he became quite gritty, but still uninformative.

In fact the Soviet objective is entirely transparent: if the Soviet Union is in a "dialogue" with Britain and France, however loosely associated with the idea of a Euro-strategic balance, it can start to claim that the US has no right to negotiate over the Soviet SS-20 missiles.

The inference is that the Soviet Union has not yet made up its mind over how best to get its hooks into President Reagan's Star Wars. Two logically distinct approaches are possible. On the one hand, it can work towards an agreement on offensive weapons cuts which is not merely attractive in public relations terms, but is also negotiable in Geneva and ratifiable by the Seneate.

When such an agreement was within arms reach, it could put the West on the defensive by insisting that the US offer constraints on its freedom to test Star Wars, and that the British and French Governments offer commitments on the future size of the nuclear forces.

On the other hand, the Soviet Union could try to put the Star Wars issue *at the beginning* of the negotiating process, by itself, making detailed proposals for precise limitations on America's freedom of action. The difficulty with this approach is that the Russians know that Mr Reagan will not accept anything approaching an outright ban on testing, and for the moment *they* are unwilling to offer anything less than an outright ban.

The senior Russian commentator I spoke to seems to accept that the maximalist Soviet position on Star Wars simply won't wash with this administration. "The beastly thing is that President Reagan sincerely believes that anti-missile defences would be a good thing. Some people in his administration may want Star Wars in order to regain strategic superiority over the Soviet Union. But I accept that be personally believes in the morality of defence. What we must have, however, is an agreement that the US would, for a specified period, stay within the restrictions imposed by the 1972 Anti-Ballistic Missile Treaty (ABM), on an agreed interpretation of that treaty."

But when I questioned a Soviet staff officer, I got a different song. "We suggest a ban on all space-based systems, on all anti-missile systems, and on all anti-satellite weapons. We need a new agreement to supplement the ABM Treaty, but not until we have American agreement on these principles."

If the Russians think that they can get American agreement on these principles simply by asking for it, they may have to wait a very long time: unless they move smartly towards a much more negotiable position on offensive nuclear weapons.

Despite the probable lack of any progress on the critical arms control issues at the summit, another Russian analyst was obviously anxious to accentuate the positive. "I can accept that the change in the Reagan rhetoric is quite sincere—though we still cannot trust this Administration. Still, it is important to have a political dialogue with the US—it would be ridiculous not to have such a dialogue. In the 1970s, dialogue led to agreements: now they are forced again to have such a dialogue—this is not bad in itself."

There can be little doubt that Moscow wants such a dialogue: for the Russians, the detente of the 1970s meant, not just nuclear parity, but political parity as well. But this does not necessarily mean that Mikhail Gorbachev will be all sweetness and light in Geneva. The Soviet press is still full of vituperation against the US, and Mr Gorbachev's domestic audience will no doubt require him to prove that dialogue does not mean softness. If he can't charm or persuade Mr Reagan, he'll want to show that he is just as tough. Stand by for theatrical recriminations on Wednesday night: this is just Round One.

Lombard

Need for shock treatment

By Samuel Brittan

THE MOST disquieting aspect of the Autumn Statement has escaped critical analysis. This is in the export and import trends shown in the official forecasts reproduced in the accompanying table. These are in volume terms and include services as well as goods.

They show export growth falling sharply from 7 per cent in 1984 and 1985 to 2 per cent in 1986, while import growth rises to 4 per cent. These are not just crystal-gazing as they reflect trends already apparent in the 1985 performance (but concealed in a year-on-year comparison) or implicit in forward looking indicators like the CBI Survey.

This deterioration has been masked by the rise in the terms of trade due both to higher sterling and depressed commodity prices, which will have their full statistical effect next year. As a result the Treasury is able to forecast an "improvement" in the current balance of payments from £3bn this year to £4bn in 1986.

UK REAL DEMAND AND GDP

Percentage change on a year earlier	1984	1985	1986
Domestic demand	2½	2½	3½
Exports of goods and services	7	7	2
Imports of goods and services	9½	3½	4
GDP	2½	3½	3
GDP, adjusted for coal strike	3½	3	2½
Manufacturing output	4	2½	2½

Source: Autumn statement

The improved terms of trade are at best once-for-all. Thus if present trends continue a current deficit is unavoidable.

The deterioration cannot be explained away by any temporary dip in world trade. The growth of GNP in major countries, of world import volume, and of trade in manufactures are all expected by the Treasury forecasters to remain at the same rate next year as this. These expansion rates are less than those of 1984, because of the influence of unsustainably rapid US growth. But they are well up to recent trends.

The forecasts in the new Midland Bank Review (which under Andrew Bain are much closer in economic philosophy to the Government's and avoid the growth pessimism of which the Chancellor complains) are instructive here. They suggest a deterioration in the current balance of £3bn in 1987, which will worsen in 1988. By then a current deficit of £3bn is expected. This is under 1½ per cent of GDP, or less than half the US deficit, but still substantial.

The two questions about the trend to deficit are whether it is (a) desirable and (b) sustainable. The British public has a much more puritanical attitude to red ink than the US, which makes the country less fertile soil for Reaganomics. The fate of Reginald Maudling and Anthony Barber make this clear.

It makes even less sense for the UK—which will still be more than self-sufficient in oil—to run a current deficit in the late 1980s than for the US to do so. It is especially unwise if it is to finance a growth of consumption one percentage point per annum faster than the growth of GDP over the next three years, which is Midland's all-too-plausible expectation.

An unsustainable UK current deficit will correct itself; the question is how.

Nature's remedy is currency depreciation. But if the pound falls substantially against the average of other currencies, it will put paid to the Government's hopes of inflation falling to 3 per cent by 1988—let alone the Midland's predicted 2 per cent.

There is only one way out of the impasse. That is to make it clear once for all to British companies that there will be no major depreciation. Paradoxically, a credible assurance of "no depreciation" might shock the British industrial establishment enough to put its costs in order and make depreciation unnecessary. The only available assurance against indefinite devaluation is EMS membership. It will be just the combined shock and tonic required and the CBI which has advocated it, will be hoist with its own petard.

Letters to the Editor

Sterling and the EMS

From Mr S. Bell

Sir, — Like Mr Brittan (November 14), I am a reluctant convert to the cause of sterling membership of the European monetary system. If we do join, however, the effects of membership may be rather less dramatic than either the pro- or anti-EMS lobbies would have us believe.

The latest issue of Pember and Boyle's "Strategy for the gilt-edged market" suggests that sterling could have sat comfortably within the EMS exchange rate mechanism since late 1981 provided only that the wide bands (which currently apply to the lira) had been adopted and there was a modest sterling revaluation in late 1982. The fact that the period since 1981 included a general election, a war, several crises in the oil market and large fluctuations in both the dollar and US interest suggests that the EMS may not represent quite the monetary strait-jacket that some would suggest.

The counterpart to this is that the benefits in terms of stability may be less than the pro-EMS lobby might have us believe. Sterling's exchange rate against both the D-mark and the Ecu (adjusted to take out sterling) is already much less volatile than that against either the dollar or the yen. Moreover, while the EMS probably does reduce the exchange rate volatility of its members the evidence suggests that it raises interest rate volatility.

Perhaps the saddest aspect of the economic (as opposed to political) case of EMS membership is that, like old age, it rests largely on the disadvantages of the alternative. Neither Mr Brittan's ideal of a European monetary union nor the free-market ideal of a stable, credible, sensible yet independent monetary policy seems to be available. The EMS may be the best of a rather unsatisfactory list of alternatives.

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Working with people

From Mr A. Marx

Sir, — John Lloyd's article (November 5) entitled "The CBI's business plan—Employers map out pragmatic route" skated over the most important factor in one bland sentence: "They want employees to work harder and more co-operatively, without pressing for too much more money."

Do employers really believe that by just asking employees to work harder and more co-operatively this will just happen? Rather than wanting employees to work harder, they should be taking steps to train their managers in how to get their employees to work harder and more co-operatively. One thing is certain, more pay, more bonus schemes, won't do it. They may attract people to the firm and they may prevent people leaving, but they won't make them work harder.

The only thing that will do this is leadership from managers at all levels: An understanding of what makes people give of their best; what senior managers can do to achieve this; how important it is that each manager communicates with his subordinates regularly, and lastly and most importantly, a realisation by chief executives that they have got to take a positive, visible role in leading their employees to success.

Our workplace may be becoming more technical, more automated, but it still depends on people for its success. Surely the most vital thing we can do to improve our economy is to train our managers, at all levels, in how to get the best from those who work for them.

Andrew Marx,
(Head of City and Commercial Department),
Industrial Society,
3 Carlton House Terrace SW1.

It is possible to trade in angels

From the Editor, Retail Jeweller

Sir,—Your article (November 14), which refers to the halt in production of krugerrands in South Africa, claims that Commonwealth countries, including Britain, banned trade in krugerrands last month, but this is not the case.

The true position is that Commonwealth leaders declared their willingness to take action to ban the coins but so far no country has implemented such a ban. The Department of Trade and Industry has confirmed that in the light of the UK's international obligations to allow free trade under the GATT agreements, it would be difficult for the British Government to ban krugerrands.

The Prime Minister recently told the House of Commons: "We have agreed to do what we can, but there are legal limitations." A spokesman at the Department of Trade has told me that the necessary legislation to enforce a ban already exists. If the Government decides to go aheed despite its obligations to GATT, the department is ready to take action.

In the meantime, imports of the coins are legal and even if a ban is imposed, dealing in them within the UK would not be affected: those holding krugerrands need not fear their investment will be rendered worthless as each coin contains one ounce of fine gold.

There is, however, now a British-made coin which directly challenges the krugerrand. The angel is a one-ounce gold coin with a nominal value of £5 which has been produced for the Isle of Man and declared to be a legal tender coin by the Manx Government.

John Goodall.
20, Soho Sq, W1.

Selling life assurance

From Mr P. Moran

Sir, — Clive Wolman's article about "The selling of life assurance" (Lombard, November 8) made an excellent point about Marketing of Investments Board organising committee, but unfortunately did not start at the beginning nor finish at the end.

Most people do not wish to sacrifice short-term spending to reduce financial sacrifice at some time in the distant future. It is hardly surprising therefore that life assurance salesmen are faced with a significant percentage of "no's." Of course, the "yes's" must pay for the "no's," but one cannot expect them to allow for this fact when contemplating the commission.

I usually offer a job to people who think the commission is too high. This is the most unsuccessful recruiting system ever devised.

A very considerable amount of term assurance is sold in spite of low commission. It is frequently attached to more expensive plans, but the life and pensions industry is not just about dying too soon. It is also about living too long.

Of course one is embarrassed about the antics of salesmen who are too much of a nuisance or make irresponsible claims, but until such time as pensioners and widows are complaining about over-insurance there is a danger of throwing out the baby with the bath water. My firm has had a large number of offices over the past 30 years at which one could purchase life assurance or pensions. We beve never had a queue et one of them yet.

Of course Mr Wolman is correct in inferring that commission is irrelevant to the consumer who pays the total expenses — not just the commission. He should therefore logically advocate that the total expense ratio is declared. Before doing so he should contemplete whether he is equally logically prepared to advocate that every industry declares the gross profit margin on every transaction. This might double the unemployment problem at a stroke.

Alternatively, if consumer protection legislation is anything to go by, it might be a complete waste of time. Consumers used to pay ridiculous annual percentage rates without realising it. They now pay ridiculous annual percentage rates and in addition they are paying to be told that they are paying ridiculous annual percentage rates.

If Clive Wolman is seriously concerned about consumer protection, be should contemplate the position of maturing unit linked policies at the time of the next 1974 or 1931. All his other worries will then pale into insignificance.

The man on the Clapham omnibus is being exhorted to borrow next year's income to buy this year's holiday. Next year he will be exhorted to borrow more. Between him and the debtor nations is a sea of irresponsible escalating credit. The life assurance, pensions and savings industry is an island of comparative sanity.

If Clive Wolman thinks that the subject of selling life assurance provokes hypocrisy—he is right. Unfortunately his excessively simplistic article is counter-productive.

P. W. Moran.
Moran Webb and Co,
212, Portland Road,
Hove, Sussex.

Terrorists and victims

From Mr M. Smith

Sir,—What sort of world is advocated by your editorial (November 13) "Jordan senses an opportunity"? To claim that the Western world has to expect further acts of terrorism in the Middle East and to "temper the desire to punish" offers carte blanche to terrorists and no sympathy to the victims.

If we have not understood yet that the only thing that terrorists respond to and withdraw from is strong action then we will indeed be subjected to horrors and no doubt condemnation in the media when action is pursued against the perpetrators.

I would hate to assume that should Mr Arafat ever put positive rejection of the PLO covenant, the destruction of the state of Israel, on to paper, that your editor would have his heading "Peace in our time."

Mervyn E. Smith.
43, Shirley Avenue,
Cheam, Surrey.

FINANCIAL TIMES

Monday November 18 1985

Terry Byland on Wall Street

Banking on bullish financials

WALL STREET'S banking stocks have been rising strongly over the past eight weeks, even outperforming the explosive industrial sector as bond yields have plunged and rumours of a discount rate cut have circulated.

Gains of 10 to 20 per cent among money-centre and regional bank stocks since the beginning of October compare with 7.5 per cent on the Standard & Poor's 500, or 8.8 per cent in the narrower Dow Jones industrial average.

The renewed surge in financial issues has given the lie to those analysts who favoured caution after third-quarter results in that sector seemed to set the crown on a highly successful run both for banking profits and for stock prices.

Those analysts who recommended caution in mid-September were proved correct for a time – but only a short time. After a staggering rise over the eighteen months to last September, bank stocks came in for a bout of profit-taking. This selling burst left perhaps too deep a mark on the sector's relative stock performance.

However, the bears were thrown into disarray by two factors, one of which might have been foreseen, although both required a deep knowledge of the black arts.

Taking the easiest factor first, the World Bank-IMF agreement that the leading industrial nations should encourage their respective bankers to increase their already doubtful loan portfolios, was exactly what Wall Street had long predicted. Banking analysts have often claimed that the solution to the LDC loan crisis lay with governments and not with bankers.

But the chief reason behind the latest surge in bank stocks has been Wall Street's conviction – against all denials – that the G-5 agreement has been refined into a plan to use interest rates to lower the US dollar.

It is the expectation of lower US interest rates that has brought plunging bond yields and a soaring stock market on Wall Street. Leading the charge have been Chase Manhattan, up 20 per cent since October 1. Bankers Trust, up 13 per cent, Citicorp, up 9.5 per cent and Security Pacific up 16 per cent.

Wall Street is still a bull of bank stocks. Mr Thomas Hanley of Salomon Bros holds to a prediction that bank profits will rise by about 12 per cent in fiscal 1985. Both domestic and international loan portfolios are sounding healthier and the stocks should "continue to outperform the S & P 500 index over the next six to twelve months."

Paine Webber is equally bullish, throwing more weight towards the money-centre stocks, where it sees Chemical NY lifting earnings by more than 20 per cent this year.

In contrast, bank profits will benefit once again in the final quarter from the excitement in US bond and world currency markets. While it is true that both trading sectors can also swallow profits as easily as they can boost them, the banks have kept on the winning side.

There is just one cloud on the banking horizon. Twice this year, bank profits – and stock prices – have seemed as the banks succeeded in keeping prime rates steady while rates fell in the money markets, where they must fund themselves.

In September the bulls were confounded when another fall in short-term rates inspired hopes that bank profits were about to repeat their good fortune.

But since October 1, near-term Treasury bill rates have jumped by 30 basis points and six-month rates by about 20. Federal funds have stayed obstinately above 8 per cent, and the Senate delay in approval for the federal debt ceiling has now faced the credit markets with a disjointed but heavy flow of cash and short-term bills.

A check in bank profits in the final quarter would not change the fundamentally optimistic factors behind the industry. The bulls have probably got it right again, although some faint hearts may duck out on the year-end results.

LONDON EXCHANGE SUGGESTS ELECTRONIC NETWORK

Worldwide market link plan

BY ALEXANDER NICOLL IN LONDON

PROPOSALS for a new electronic network connecting stock exchanges worldwide for dealing in international equities are expected to be announced this week by the London Stock Exchange.

The London exchange, in common with its counterparts in the US and Europe, is facing a serious challenge from a round-the-clock market in shares of the world's biggest companies, developing to a large extent away from established exchange floors.

Rival computerised trading systems, such as Instinet, the US-based network which is to be marketed in Europe by Reuters, the business information group, threaten to take international equity trading away from established exchanges for good.

The London exchange, as part of next year's reorganisation of UK financial markets is planning to operate four investment exchanges: for the trading of international equities; domestic equities; options and UK bonds.

It is discussing the joint operation of the international equity exchange with a regulatory body for international securities being set up by international bond dealers and bankers.

Under the new proposals, however, the investment exchange will be part of a much wider automated network that would be set up with the co-operation of North American, European and eventually Far Eastern exchanges.

At the heart of the new investment exchange would be an automated quotation and trading system for which the Stock Exchange Automated Quotation (Seaq) system, now being developed, is likely to be only a precursor.

The plans which have yet to receive the formal backing of the exchange's ruling council, are likely to be outlined this week in a series of speeches by exchange officials at a London conference on Computers in the City.

Under official plans for regulation of UK markets, the Securities and Investments Board will recognize investment exchanges which regulate individual markets and provide price dissemination and audit trail facilities. Firms wishing to deal on such exchanges must be authorised by a self-regulatory organisation (SRO). The stock exchange also plans to be an SRO.

The exchange believes that, even though international equities are unlikely to be dealt centrally on exchange floors, stock exchanges still provide the best trading mechanisms because they offer members necessary services such as satisfactory price display, settlement systems and market surveillance.

The new idea would, however, require close co-operation with stock exchanges outside the UK. "No one stock exchange can expect to establish on its own a global exchange," Mr George Hayter, divisional director of information services at the London exchange, says.

Potential participants in the new exchange would include European bourses through a data interchange system, called Idis, which the European Community has been striving to establish for several years. It is expected to get underway next year with prices available initially from several exchanges including London.

The London exchange has also been holding talks with the New York Stock Exchange and Nasdaq, the North American Securities Dealers Automated Quotation system, which has developed the huge US over-the-counter equity market.

NYSE officials have spoken of a potential "electronic bridge" over the Atlantic, similar to the Intermarket Trading System which links the NYSE with regional stock exchanges. But London's talks with Nasdaq have progressed further, partly because the Nasdaq market-making method is closer to London's than the NYSE's specialist system.

Formal trading links would require extensive government inspection in the UK and US, but there are hopes that a less formal pilot scheme could get under way next year, with the exchange's Topic screens and Nasdaq both showing prices of shares which are traded in both systems.

Underlying the planned initiative is a belief in some quarters of the exchange that, unless a serious competitive effort is made, it could become an insignificant body trading only second-line UK stocks. In the run-up to the "City revolution," some feel that too much attention has been focused on domestic market changes and too little on the development of the global equity market.

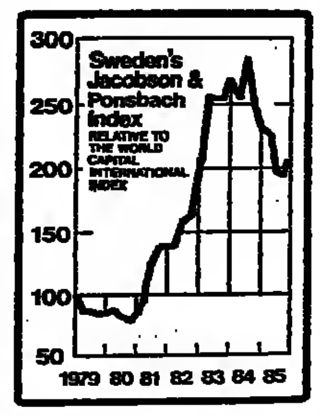
The exchange's Seaq International service, showing market-makers' prices for selected non-UK equities, already faces direct competition from a similar Reuters service and the threat to the exchange's control over price display will intensify next year when Instinet's US service is also provided

Progress on German-Japanese bank reciprocity, Page 19

THE LEX COLUMN

Stockholm comes out of the cold

Sweden is finally starting to thaw. The Stockholm equity market, which flowed faster than any other in the world between 1981 and 1983, has been frozen up ever since. While equity indices elsewhere in Europe have been setting records, Stockholm has traded in a narrow range some distance below its late-1983 peak. Yet since the late summer the Swedish market has begun to make up the lost ground. The Jacobson & Ponsbach index has risen by a fifth since early July, with the majority of the rise occurring in the past month. On Friday evening the index stood at its highest point of the year.



It is a curious time to turn bullish. The Social Democrats were returned to power two months ago, underlining yet again the electorate's commitment to a welfare state which is financed by astonishingly high rates of taxation and by a budget deficit which in relation to GDP stands comparison with its counterpart in Washington.

In the absence of an absolute majority the Social Democrats may need to lean on the Communist Party for support and are in any case most unlikely to dismantle the paraphernalia of exchange controls or credit ceilings which help to make Sweden seem a suspicious sort of place to the fund manager off a plane from Boston. Nor are they about to abandon the wage-earner funds which, in the view of Swedish industry, compel the corporate sector to pay for its own socialization.

The competitive devaluations of 1981 and 1982, with a strong underlying improvement in productivity, have sustained GNP growth over the past three years and kept unit labour costs at least in line with those of Sweden's major European trading partners. But the soft currency advantage has been progressively eroded by a comparatively high inflation rate – around 6½ per cent at present – and a rise in real wages. An overhang from last year's pay round makes it almost impossible for wage increases to be kept below 6 to 7 per cent next year and the most recent forecasts suggest average rises of roughly 7½ per cent, at least 2 percentage points above the expected inflation rate.

Real wage increases have a muted effect on domestic consumption, because of the very high personal tax rates, but they have an immediate impact on industrial profitability. Sweden's corporate sector is not taxed extravagantly – few companies pay corporation tax at much above a 25 per cent rate – but indirect labour costs are steep. A SKr 100 wage increase converts to a SKr 142 rise in overall labour costs after social security and other payments.

These cost increases, the pessimists argue, will eat straight into profit margins, since there is simply not much room to raise prices either at home or abroad. GNP growth is expected to fall from around 2½ per cent this year to between zero and 1 per cent in 1986, while the current account, which showed a modest surplus in 1984, is heading for a deficit of about Skr 12bn this year and will stay in the red during 1986.

So growth in pre-tax profits may slip from around 15 per cent this year to no more than half that figure in 1986. The bulls of the equity market reckon that this slowdown has already been fully built into share values. On an actual tax basis, the Swedish market is trading on a multiple of no more than 7 times 1985 earnings (although the Swedish system of tax allocation does produce a rather generous earnings figure).

Equity prices have, according to this more cheerful analysis, been consistently depressed by Sweden's high real interest rates. It is hard for an equity market yielding 3½ per cent to make much progress when five-year Government bonds are offering 13.3 per cent. A 1-point cut in the official "penalty" rate prompted an immediate equity market rally late last month and, while the scope for further cuts is constrained by the size of the current account deficit and the strength of personal consumption, the trend in interest rates is clearly downwards.

With domestic institutions now returning to the equity market, foreign investors are beginning to feel less lonely. They have been consistent – and often heavy – net buyers of the Stockholm market since last summer on the grounds that Sweden's big exporting companies represent outstanding long-term value. It is hard to quarrel with that analysis. The corporate sector has pushed up its average return on equity from virtually nil to around 30 per cent over the past eight years; capital spending growth of 15 per cent or more in each of the past two years has been financed from internal cash flow and capacity utilisation is exceptionally high – 95 per cent or more in the forest products industry. Swedish industry is, by any international standard, in remarkably good shape.

Until recently, foreigners have had precious little to show for their enthusiasm. Ericsson, the one company in which the foreign shareholding exceeds 50 per cent, has been a miserable performer and Swedish companies have developed a nasty habit of offering new equity on foreign markets just before their share prices collapse. Compared with the returns on, for example, the German equity market this year, Sweden has been a disaster. It may be that the rally of the last month peters out just as every other has over the past two years. But it could be that this time foreigners will be rewarded for their patience.

Electronics indices

Before the fuses started to blow, the accepted argument for long-term investment in electronics was that here, if anywhere, was a sector with a technological momentum which would enable it to grow faster than the rest of the British economy. All this year, however, dismal results have been forcing the London market to stand this idea on its head: technology and growth consume cash, for certain; profits are more capricious. A fund that had remained invested in the constituents of the FT Electronics index over the past twelve months would have lost a third of its capital.

That fact alone might suggest that the sector was cheap enough to buy (on a total capitalisation of about £34bn) if only the shocks would stop. But it is clearly not enough to buy indiscriminately: a more refined approach is made possible through a family of 16 sub-sector indices constructed by Robert Fleming. It must make sense to separate the industry majors from the smaller companies and computer manufacture from component distribution; doing so throws up small areas of serene progress amid the devastation. Running the indices back a few years also confirms old rules of thumb about leaders and laggards in the cycle; and that favourite leading-indicator, component distribution, has been performing nicely for a couple of months past.

Plessey blames Rockwell for US rejection of Ptarmigan

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

BRITAIN's failure to win a multi-billion dollar contract from the US Army was primarily the result of lack of co-ordination and consultation between Plessey, the UK electronics group, and Rockwell, its US prime contractor, rather than over-pricing of its equipment by the British company, Mr Michael Heseltine, the UK Defence Secretary, will be told today.

Mr Heseltine will open the first stage of his inquest into how the French battlefield communications system, Rita, beat its British rival, Ptarmigan, for the $4.3bn US contract when he summons officials from the defence sales organisation, the British Army and Mr Peter Levine's Procurement Executive to his office this afternoon.

The officials are being asked to explain the gap between the $7.4bn Rockwell-Plessey bid and the winning tender of $4.3bn by the French company, Thomson CSF, led by its prime contractor, the US company GTE.

The officials appear to have accepted Plessey's contention that Ptarmigan – which is also being supplied to the British Army at a cost of at least £700m – had not been over-priced in the bid for the US contract.

The company is said to have provided the Defence Ministry with calculations showing that had it bid Ptarmigan on the basis of equipment and prices as delivered to the British Army – which US procurement rules forbade it from doing – its bid for the US contract would have been $4.5bn.

The company maintains that Ptarmigan accounts for less than 40 per cent of the total bid made on its behalf by the Collins division of Rockwell. Plessey officials are claiming therefore that Rockwell was primarily responsible for the high bid.

It is far from clear whether Mr Heseltine will accept those arguments, even though his officials have long pointed to an uneasy relationship between Plessey and its US prime contractor which they believed was detracting from the success of the British bid.

The Defence Secretary, who was in the Far East when the US contract was awarded on November 5, was shocked not only because Ptarmigan lost by such a wide margin but because he and the UK Prime Minister, Mrs Margaret Thatcher, used – on his advice – political influence with the US Administration to try to win the contract, not knowing how far apart the bids were. The embarrassing and unanswered question in the Defence Ministry is how British intelligence could have been so poor.

Mr Heseltine is expected to call in representatives from Plessey within the next few days and seems certain to demand a detailed analysis of the army's past and possible future contracts for Ptarmigan.

His inquiry, expected to form the basis of a report to the Cabinet, comes in the wake of a briefing by the Pentagon last weekend for the losing consortium to which the British Government was invited but did not send a representative.

US officials are believed to have identified three main reasons for the lower GTE-Thomson bid. The US-French consortium adopted what one official called a "clever engineering solution" to one of the problems involving the interface between communication systems already deployed by the US Army. It also made a point of incorporating as much equipment as possible that is already in use with the US Army, the official said, while Thomson-GTE made sure that no more than 25 per cent of the total communications system would be procured from France.

Int'l Harvester sinks deeper into deficit

By Terry Dodsworth in New York

INTERNATIONAL Harvester, the US truck group, sank deeper into deficit last year as the cost of amputating its farm equipment business led to net losses of $364m on sales of $3.5bn.

In the previous year net losses amounted to $55m on sales of $3.4bn, but the loss from discontinued operations, at $228m, was considerably lower than the deficit of $576m in the most recent year. Tax credits in the two years were roughly comparable, amounting to $100m this year and $94m in the previous fiscal year to the end of October.

In the fourth quarter the group made net profits of $57m, or 41 cents a share, against earnings of $7m, or 3 cents a share, in the same period of the previous year. The results in the most recent year included a tax credit of $27m, or 20 cents a share, against a tax credit of $51m, or 41 cents.

Harvester added that operating income in the 1985 quarter amounted to $30m, or 21 cents a share, against $34m, or 26 cents a share. Sales fell to $868m from $987m.

The group added that shipments of its heavy trucks declined during the final quarter as demand moderated. Mr Donald Lennox, chairman, said he expected demand in 1986 to be slightly below 1985 levels.

Deere, the farm machinery company that has been hard hit by the crisis in US farming, is trimming its workforce and production schedules still further in an effort to reduce dealer inventories.

The jobs of about 350 employees at its plant in Waterloo, Iowa, will go as part of the move, while the combine factory in East Moline, Illinois, will be shut down for 42 production days in January and February.

SCM records 30% jump in earnings

By Our New York Correspondent

SCM, the US industrial group that is the subject of a hard-fought takeover battle between Hanson Trust of the UK and Merrill Lynch, the New York securities company, recorded a 30 per cent jump in earnings in the first quarter to September 30.

Net income for the quarter amounted to $14.8m, or $1.47 a share, against $11.4m, or $1.15 a share, and sales rose to $580.4m from $520.8m.

The company said that the figures were struck after charging $2.2m for costs in connection with the unsolicited tender offer from Hanson Trust. A further $18.5m incurred in connection with the leveraged buyout proposal from Merrill, however, has been deferred and not included in the quarterly net figures.

SCM said that about $20m of additional fees and expenses would be incurred by the leveraged buyout proposal.

Control Data cancels payment of dividend

BY PAUL TAYLOR IN NEW YORK

CONTROL DATA, the troubled US computer and computer products group, has bowed to mounting pressure and cancelled its 16¼ cents-a-share quarterly common stock dividend. The move highlights the problems faced by the group, particularly in its computer peripherals business.

The Minneapolis-based group, which only two months ago told Wall Street that it remained "committed" to paying dividends despite its problems, on Friday that its board considered it "prudent" to cease paying the common stock dividend "in view of the losses currently being incurred."

In October, the group reported a $255.6m third-quarter net loss, partly reflecting a special $153.8m charge to restructure parts of its business.

Control Data, which is currently in default on some of its short-term bank loans, has recently embarked on a massive asset sale programme in an attempt to conserve cash, return to profitability and reassure its bank lenders.

In a brief statement, the company said its board had decided to maintain the company's $1⅛ a share preferred stock dividend and was "confident that the previously announced restructuring programme will serve as a sound basis for regaining profitability."

Cutting its already modest quarterly common stock dividends will save the group about $6.4m a quarter, but the action does signal Control Data's determination to come to grips with its problems and help preserve its dwindling cash balances which stood at about $57m at the end of the latest quarter against $93m at the end of last year.

Control Data has announced plans to close down or sell off large chunks of its businesses in an effort to reduce operating losses and refocuse its operations on profitable business segments.

Control Data's stock, which had traded at a high of more than $38 a share earlier this year, closed on Friday down $⅛ at $17⅛ having troded down as low as $17¼ earlier in the day.

Soviets play down letter

Continued from Page 1

He said the absence of a ban on Star Wars was the main defect in the US counter-proposals on disarmament tabled in Geneva at the end of last month. "Without a ban on space strike weapons there is no hope for a reduction in strategic offensive weapons," Gen Chervov said.

Mr Robert McFarlane, Mr Reagan's national security adviser, said that there had been some progress on bilateral US-Soviet issues during intensive negotiations at expert level over the weekend. He was unable, however, to cite any progress on the issues of arms control and regional conflicts around the world that will be the summit's dominant political themes.

Mr McFarlane said that lengthy discussions on chemical weapons had not brought the two sides closer to the global ban that the US is seeking. Washington remained very interested, however, in reaching an agreement on stopping their spread worldwide. US-Soviet talks aimed at establishing "common purposes" in preventing the proliferation of nuclear weapons had gone better and be was optimistic that an agreement could be reached

Mr Speakes reaffirmed that the US would continue to abide by a strict interpretation of the ABM treaty in pursuing the Star Wars programme.

● The outcome of the summit may affect West Germany's attitude to joining the Star Wars programme, Chancellor Helmut Kohl said yesterday.

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	R	[illegible]	[illegible]	Dubrovnik	R	8	46	Malaga	F	18	64	Salzburg	S	2	36
[illegible]	S	[illegible]	[illegible]	Faro	S	18	64	Malta	C	21	70	Seoul	S	5	41
Algiers	C	19	66	Florence	F	8	46	Manila	–	–	–	Singapore	T	31	88
Amsterdam	F	3	37	Frankfurt	S	1	34	Miami	S	23	73	Stockholm	Sn	-1	30
Athens	F	18	64	Funchal	F	20	68	Milan	S	5	41	Strasbourg	S	0	32
Bahrain	S	27	81	Geneva	C	1	34	Moscow	S	-7	19	Sydney	S	26	79
Bangkok	–	–	–	Gibraltar	F	17	63	Munich	C	-3	27	Taipei	–	–	–
Barcelona	S	11	52	Guernsey	C	9	48	Nairobi	F	27	81	Tangier	F	19	66
Beirut	–	–	–	Helsinki	Sn	-1	30	Naples	R	11	52	Tehran	–	–	–
Belgrade	C	3	38	H. Kong	C	23	73	New Delhi	S	23	73	Tel Aviv	–	–	–
Berlin	C	0	32	Innsbruck	C	-3	27	New York	C	11	52	Tenerife	C	20	68
Biarritz	S	11	52	Inverness	F	2	36	Nice	F	13	55	Tokyo	S	17	63
Blackpool	F	3	37	Istanbul	F	11	52	Oporto	S	14	57	Toronto	C	4	39
Bordeaux	C	5	41	Jersey	C	11	52	Oslo	F	1	34	Tunis	S	22	72
Brussels	S	3	37	Jo'burg	S	25	77	Paris	C	2	36	Valencia	S	14	57
Budapest	S	2	36	Las Palmas	F	22	72	Prague	Fg	-5	23	Venice	S	5	41
B. Aires	–	–	–	[illegible]	–	–	–	Reykjavik	R	4	39	Vienna	S	-3	27
Cairo	F	24	75	Lisbon	S	13	55	Rio de J'o	–	–	–	Warsaw	F	-2	28
Cape Town	S	22	72	Locarno	S	3	37	Rome	R	10	50	Zurich	C	-4	25
Caracas	–	–	–	London	C	5	41								
Casablanca	S	18	64	Los Angeles	S	14	57								
Copenhagen	F	1	34	Luxembourg	F	-2	28								
Corfu	C	18	64	Madrid	S	11	52								
Dublin	C	6	43	Majorca	S	14	57								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

S. Africa talks held

Continued from Page 1

draw up an alternative strategy to economic sanctions and disinvestment and discuss a greater business role in efforts to bring about change in South Africa.

An important item on the London agenda is said to have been funding for black housing, education and small business projects.

Although not directly linked, the latest initiative coincides with efforts by the Urban Foundation, a business-backed South African reform lobby, to win financial support from companies in the US and Britain.

A delegation from the foundation, led by Mr Warwick Barnes, an executive director, visited both the UK and the US recently in an effort to raise support for its black housing, education and business projects in the Republic. The delegation raised $1m during its visit to the US, and hopes to secure support from UK companies worth £400,000 ($568,000) a year.

Earlier this year, Mr Jan Steyn, the foundation's chairman set out what be called "an agenda for reform" in South Africa, calling among other things for talks with representative black leaders including the banned African National Congress (ANC).

SECTION III

FINANCIAL TIMES SURVEY

International Fund Management

Private sector institutions in a number of major countries have embarked on an internationalisation of their portfolios, as improvements in communications have lowered the barriers of previously isolated markets.

More aggression shown on a broader front

BY BARRY RILEY, Financial Editor

"THE domestic US securities markets represent only half the global opportunities available to the US investor. There is no difficulty in justifying international investment. The onus of the argument is on those who stay at home."

That remark, by the asset allocation executive of a major US-owned fund management firm, typifies the new aggression of the global investment industry. The aim is to turn international investment from a minority product, representing only a small segment of a diversified domestic fund, into the mainstream portfolio concept.

In the past, international investment has been the preoccupation mainly of small nations, forced by lack of domestic opportunity to search outside their own borders. Oil-rich states like Kuwait and Brunei have been among the more prominent global investors in the past couple of decades.

Such state funds are scantily documented, and so are the vast private hoards which are channelled through Switzerland and various offshore havens, and produce their most visible manifestation in the $350bn Eurobond market.

Bot the important recent developmeot is that private sector institutions in a number of major countries are also embarking on an internationalisatiou of their portfolios.

The precise reasons may differ: tbe British bave been adjusting to new freedoms resulting from the ending of exchange cootrols in 1979, the Japaoese are baving to find ways to invest an expanding balance of payments surplus, aod the Americans are being persuaded that they ougbt tn diversify at least a modest proportion of their vast domestic portfolios.

The background theme is common, bowever. Improvemeots in commnnications technology are breaking down many of the barriers that have isolated markets from each other in the past. Banks and securities firms are setting up global networks, and having developed global products they are pulling out all the stops to persuade investors to buy them.

That the Americans are serious about the global picture and about London in particular, is shown by the proposal of several US houses to promote a mini-Manhattan in London's docklands, as a satellite to the congested financial district of the City.

And at the product level, one of the major New York investment banks, Morgan Stanley, bas decided to buy the Capital International series of worldwide equity indices—a decision that has sent minor shock waves through the international fund management community.

It sbows that the Americans are prepared to inject their brand of aggression and competitiveness intn what has up to now tended tn be a fairly low profile business.

The takeover of the CI series —which includes the widely used World Index and the also extensively followed non-US EAFE (Europe, Australia, Far East) Index—comes at a time when the indices are already embarrassing to many international fund managers for another quite different reason. Most funds have seriously underperformed on the basis of these yardsticks in the past couple of years.

The global performance measurement service of WM Computer Services now goes back more than four years. It at present covers 95 portfolios run by 31 managers, with a total market value of nearly $3bn, almost all in eqmities.

What stands out in the record is the astonishing underperformance by these funds in 1984, when ill-jndged stock selection cost them on average 12.2 per cent relative to the EAFE (Europe, Australia, Far East) Index.

To some extent this marked the reversal of excess performance of 7.1 per cent in 1983. But ln the first half of 1985 the funds were still losing out, going down 4.6 per cent against the EAFE on stock selection grounds, reduced by 0.9 per cent thanks to favourable market weighting.

Japan has proved a major problem for the global fund managers. They tend to invest in the "international" sector of the Japanese equity market and not in the domestic stocks. When the two sectors move differently—as is often the case —the performance of the interoational funds can diverge sharply from the patterns of the overall indices.

Who, in early 1984, would have invested in Japanese banks on 20 p/es? Obviously they were much more expensive than bank stocks in Europe. So when the Japanese bank stocks began to rocket, and eventually moved on to p/es of 60 the foreign managers cried "foul," talked of manipulation, claimed they could never have scraped together enough shares in a nominal market to gain a proper weighting anyway, and watched their performance figures fall apart.

More recently, other domestic sectors in Japan, such as real estate, utilities and transportation, have made the running. Here, too, the international fuods tend to have limited exposure.

Apart from giving a boost to global index funds, the Japanese debacle has raised qnestion marks against the expertise of the global investment managers. They can argue that swings among the Japanese sectors are cyclical, and the international stocks will come back again. But they are all categorised as active managers, and charge fees to match, so major realignments in the world's second largest equity market are surely well within their frame of reference.

At least the dollar has been moving favourably for the international fund managers for most of this year. During its period of growing overvaluation, particularly in 1984, their performance in dollar terms was seriously depressed.

At the same time the fund managers were able to argue—rightly as it turned oot — that late 1984 and early 1985 were excellent periods for Americans to use overvalned dollars to buy foreign assets. The benefit has duly come through as the dollar has tumbled.

Even so, WM figures for the four years to mid-1985 are still badly affected by adverse currency movements as well as poor stock selection, so that an annualised four-year return of 6.3 per cent on the equity portfolios in the WM universe compares with 15.6 per cent on the Standard & Poors 500.

Dollar weakness has also began to enhance the attractions of international bonds, though bood fund managers insist that currency swings are not the only or even the major reason for diversifying bond portfolios.

Some argue that foreign bonds are not really an alternative to domestic bonds, hut represent an entirely distinct kind of investment. They offer the npportunity to add value by arbitraging between different economic and political regimes, which are typified by different structures of risks.

The claim is that the return can be increased nver that in a domestic market, while at the same time the risk can actually be reduced. Such claims rely on the availability both of vast amounts of information and of high level analytical skills.

At any rate, J. P. Morgan, which pioneered the global diversification of ERISA equity portfolios in 1980 is now actively promoting the same idea for bonds. In all, its international bond portfolios run to around $800m.

For both equity and bond fund managers, the success of an international approach relies on the various markets baving the right combinaiton of isolation and accessibility.

If the markets are too protected it may be impossible to get in and out freely enongh. If they are too open, they are likely to move broadly lu line with otber markets and the arbitrage potential will be reduced. Fnr it to make sense to swing money around the world, the correlation between movements of different markets must not be too high.

For the moment, at least, tbe technologists are moving a good deal faster than the politicians, giving international investors plenty of scope. So global fund managers bave a lot going for them—but they had better heef up their performance if they are to keep their clients bappy.

European expertise faces challenge from the U.S.

Managers

BARRY RILEY

INTERNATIONAL fund management goes back at least as far as the South Sea Bubble, but its really phenomenal expansion has occurred in the past 20 years or so. That period has seen the growth of that archetypal international market place, the Eurobond market, from nothing to its current dimensions of $350bn or so.

It has also seen a steady flow of money out of Europe and, more recently, out of the US seeking opportunities in the glamorous growth markets of the Far East, where Japan now supports the world's second largest equity market.

This has complemented the Europeans' much longerstanding involvement in the North American markets, where the British, the Swiss and the Dutch have many decades of experience, in some cases going back to the development of railroads and mines in the 19th century.

So for the time being, at least, expertise in global investment is concentrated in Europe. But this may not last, because American advisers are increasingly moving into international equities, and are now promoting international bond funds, too. The Japanese, meanwhile, will need to develop portfolio management skills to match their country's emergence as a major exporter of capital; but for the time being they are relying extensively on foreign connections.

Swiss banks have been the first to turn international investment management into a major business. Much of the $350bn in the Eurobond market can be presumed to be invested through Switzerland, which has a legendary attraction for wealthy individuals seeking a confidential haven for their money.

The investment activities of Swiss banks abroad could become more prominent when Swiss pension laws are altered next January, permitting a much greater international element in pension fund portfolios.

But generally speaking the Swiss banks have failed to make a very effective pitch for international institutional business, or for the more performance-oriented private client business. Swiss fund management is very expensive, and several Swiss banks have actually opened up in London to tap institutional business.

The kind of international money which is looking for management includes the reserve funds of central banks and oil states, and international insurance funds — especially those of offshore captives. Much of this is typically invested in bonds, or even in shorter-term instruments.

But there is a substantial volume of British and American pension fund money available for equity investment, and large volumes of private client money—much of it collected through tax havens—are also channelled into international equities by those managers with the appropriate marketing networks.

The London merchant banks have been strongly placed to bid for this business, and Bank of England figures published earlier this year showed that the accepting houses alone handle around £15bn of assets owned by foreigners—out of a total £60bn or so managed by the accepting houses.

These merchant banks have the advantage of established reputations, with in many cases a world-wide system of branches serving the dual purpose of providing a marketing network and supplying the necessary international investment expertise.

Several US banks and securities houses are also prominent in this field in London, including J. P. Morgan which was a pioneer in bringing over portions of ERISA accounts in the late 1970s for global management. It is now promoting the idea of international bond portfolio for US institutions.

At present Morgan manages some $3.5bn for institutional clients in London, including $2.8bn for US pension fund clients. It also runs portfolios for government clients, although this is an activity about which Morgan, like other managers, is highly discreet.

There are also many specialised investment management institutions in Europe, such as the Dutch group Robeco

The Tokyo Stock Exchange. Money has flowed out of Europe and the US seeking opportunities in the glamorous growth markets of the Far East, where Japan now supports the world's second largest equity market.

which runs a mainstream equity fund worth nearly $3bn and in all manages some $7bn, including associated bond, property and other funds.

In the UK, there are well over 100 listed investment trusts with assets of some £15bn, of which rather more than half is held in non-British assets. Investment trust managers have a very long history of investing around the world, originally in North America and more recently in Japan and the Far East, and a number of management houses are building upon this experience to sell global investment services to US and UK pension funds.

Examples are Ivory and Sims and *Martin Currie* in Edinburgh, and Henderson Administration and John Govett in London. Several of them have enjoyed reasonable success in expanding out of the investment trust field, but they are relatively small organisations which find it difficult and expensive to get involved in high-powered international marketing exercises of the kind needed to achieve a high strike rate in pitching for ERISA business, for example.

In competing against the established banks, however, they are increasingly able to use their complete independence as a marketing asset. The securities industry revolution is giving many banks in London an opportunity to get into securities market making and distribution, but this raises question marks about the independence of view of their investment management operations.

Naturally the banks point to internal safeguards against abuses, but there is nothing like complete independence of ownership to convince potential clients that conflicts of interest will never be a problem.

Independence can be something of an expensive luxury, however. Several of the independent London managers have explored the possibility of marketing tie-ups which might help to open up foreign client potential. After much deliberation John Govett decided against a formal relationship with Security Pacific, which might have compromised its independence, though on the other hand Touche Remnant has gone ahead with a joint venture deal with Bank of Tokyo.

Some of the banks are themselves responding with schemes to separate their investment management business into segmented parts of their group structures, and perhaps physically distinct premises too. There are, indeed, rumours that one or two of the major London merchant banks might spin off their investment management businesses entirely.

Such developments would partly reflect a desire to counter the fears of clients about multiplication of conflicts of interest. But there is also a need to motivate key investment personnel at a time when there is enormous competition for the services of top grade practitioners.

The success of several of the independents in achieving flotation as public companies—Henderson and Ivory & Sime are cases in point—has set a precedent. At the very least the big banks are being forced to install profit participation schemes if they are to maintain the stability of personnel which is a key element in satisfactory client relationships.

Concern expressed over electronic equity dealing

THE WORLD'S diverse stock exchanges are poised to follow the foreign exchange and bond markets to become truly global operations where the information flows, and the deals themselves will be carried out increasingly through electronic systems.

The launch of Reuters' Monitor network in the early 1970s created a large international market for currencies. Now the development of SEAQ, the London Stock Exchange's Automated Quotation system, will lay the foundations for an electronic information and dealing system in securities in the UK.

Reuters, through its US partner Instinet, plans to establish an international share-dealing network, while new automated systems are also being introduced in the US.

There is, however, an important distinction to be drawn between the rapid growth of international currency dealing in the 1970s and present plans for the securities markets.

Reuters' Monitor filled a previously unexploited gap in the market place. The new securities systems are attempting to break into the preserve of old-established stock markets with their own traditions and rules of conduct.

The integration of the new systems has already led to a clash in London between the Stock Exchange and Reuters/Instinet. The two sides are hoping to reach agreement but as the autumn 1986 deadline approaches for "big bang"—when the Stock Exchange radically revises its operations—the possibility remains that the two sides will go their separate ways.

The Stock Exchange insists that it retains control of the electronic information and dealing systems in the future. Reuters sees London as only one element, albeit an important one, in its plan for an international electronic market place for securities.

The London Stock Exchange is not the only regulator to express concern. Warnings about the dangers of the development of international securities markets have also come from the US Securities and Exchange Commission.

The SEC earlier this year said it was worried that its ability to regulate trading would be undermined by the increasingly international nature of dealings.

Specifically it was concerned that transactions in US stocks carried out outside the US would not be captured by its consolidated reporting system which requires the notification of the price and the size of bargains. Most foreign stock exchanges have less stringent reporting requirements.

Trading halts imposed by the SEC might be rendered ineffective by deals carried out beyond its jurisdiction.

Against this background of official caution the information providers and the software houses have been working busily on new products to meet the demand they are confident will come.

Reuters has been signing up clients in London to take the North American securities service already operated in the US by its partner Instinet. Reuters has exclusive rights to market Instinet outside North America.

Trading Systems

CHARLES BATCHELOR

Problems with establishing adequate communications links across the Atlantic and in finalising clearing arrangements for UK customers have delayed the launch of the service from the original July target however.

Instinet allows the automatic completion of small orders—of up to 1,000 shares—at the best price being displayed by competing market makers on its screens.

Instinet already has a proven track record in the US where it is used by about 300 broker-dealers and institutions. It handles average daily volumes of 5m shares of exchange-traded and over-the-counter NASDAQ (National Association of Securities Dealers Automated Quotations System) stocks.

The London Stock Exchange has freely acknowledged the debt it owes to NASDAQ in its plans to revise radically the shape of the UK market but it insists on keeping control of the information and trading systems.

NASDAQ is a computerised information network which links competing market makers and broker dealers in a nationwide market.

SEAQ, which is being developed out of the existing Topic information network, is to provide expanded amounts of information to traders. It will show the quotes of competing market makers, details of previous trades and high and low quotes for the day, as well as the news items and company announcements already carried on Topic.

Ultimately the Stock Exchange hopes to develop SEAQ into a fully-fledged dealing system which would allow traders to carry out transactions from their offices. To what extent the existing exchange floor will survive as a focus for personal contacts between traders and for the larger deals is uncertain.

Additional dealing systems are also being launched in the US. Two leading discount brokers, Charles Schwab & Company and Fidelity Investment Group earlier this year unveiled plans for computerised services which will link their clients' personal computers with the automated systems being introduced by the stock exchanges. This will allow the electronic completion of orders.

Increasingly an investor will be able to execute orders from his home or office through his personal computer. The system will automatically verify the identity of the investor and check that his account can cover a purchase and that the deal is within the customer's permitted limits.

The information systems too are becoming more sophisticated. Reuters and Telerate, two of the leading financial information providers, have been broadening the range of their services from the mere provision of constantly-updated prices.

They compile "pages" of specially selected information for which clients would have previously had to hunt through the system to find.

The information providers are storing the daily inflows of information in data bases and introducing graphics facilities to allow the manipulation of the data. This has brought the news-based services such as Telerate and Reuters into areas traditionally dominated by the more analytically-oriented operations such as Datastream.

The tide is clearly flowing in the direction of computerised information and dealing systems. But the recent revival of the fortunes of Ariel, an automated share dealing system launched by a number of UK merchant banks in the early 1970s, suggests there is a counter-current.

Ariel attempted to introduce computerised trading long before it was fashionable and flopped. It threw out the computers, replaced them with dealers supplying the human touch and now reports a modest upturn in business. There may be limits to the role that electronics can play.

Change of attitude by UK managers

Trading floor of the London International Financial Futures Exchange

Futures and Options

ALEXANDER NICOLL

BRITISH fund managers have been slow to seize the hedging and income-enhancing opportunities afforded by financial futures and options.

Their caution has been fostered not only by natural suspicion of new-fangled and apparently speculative instruments, but also by prohibitions enshrined in their own articles, or in the law.

The picture is, however, changing. Large institutions such as Prudential Portfolio Managers, the investment arm of the Prudential insurance group, PosTel Investment Management, Save and Prosper and Foreign and Colonial have publicly thrown their weight behind the use of derivative financial products.

Nevertheless, it will be a long time before UK fund managers use futures and options as extensively as their counterparts in the US. Even though the proportion of US institutions using stock index products is far short of the potential total, they have helped to produce booming volume.

The most publicised aspect of US activity is in large-scale arbitrage programmes, in which institutions attempt to spot and take advantage of temporary discrepancies between price levels in the futures or options market and the actual stock market.

This leads to so-called "basket" trading, in which the institutions buy or sell shares in all the companies in an index such as the Standard & Poors 100.

Index products have taken some volume away from the quieter, lucrative business of individual stock options, traded on a number of exchanges led by the Chicago Board Options Exchange (CBOE) and the American Stock Exchange. But option-writing is seen as a useful way of enhancing portfolio income, and there are many other uses, ranging from simple hedging to complex and creative techniques, to which US financial futures and options markets are put.

All these methods are expected to increase in London, with a particular boost likely to come from next year's Big Bang restructure of City institutions. The formation of conglomerate securities houses in an increasingly competitive environment will force them into more extensive hedging and into seeking both commission income and trading profits in products such as futures and options.

This will not only boost their marketing efforts, it will also increase the liquidity of the markets themselves, making them more attractive for fund managers to use. A further encouragement comes from the recent resolution of tax uncertainties about using the markets.

Just as Treasury bond futures represented the first venture into the pits for many US institutions, so in London futures on gilt-edged securities—UK government bonds—have so far been the most popular for fund managers.

These are traded on the London International Financial Futures Exchange (Liffe), and are likely to get a substantial boost to volume next year when the gilt market, now dominated by two jobbers, is restructured to have 29 primary market-makers. Gilt options are traded on the Stock Exchange.

Mr Keith Bedell-Pearce, a director of Prudential Portfolio Managers (PPM), argues that, provided the investor keeps sufficient cash deposits to cover a futures market liability, holding a futures contract is no more risky than holding the underlying securities — and dealing costs on Liffe are much lower.

He details three ways in which financial futures can enhance a pension fund's return: first, it can arbitrage, taking advantage of pricing anomalies between the cash and futures markets; secondly, it can hedge inexpensively against detrimental movements in the underlying market; thirdly, a fund can switch its investments from one market sector to another — say from gilts into equities — at low cost and without disturbing prices in the underlying market.

"Financial futures contracts have become the prime means by which asset sector switches are now made in some of PPM's segregated pension funds," Mr Bedell-Pearce says.

Such a technique allows a fund manager to make quick decisions which are not delayed by time-consuming stock selection, undermined by market movements, or made less attractive by high dealing costs.

In the UK, however, this approach has been hampered by the failure to develop sufficient volume in stock index products: futures on the FT-SE 100 index traded on Liffe, and options on the same index traded at the Stock Exchange.

In the US, apart from the extraordinarily active S & P 100 options at the CBOE, there are active futures contracts based on the broader S & P 500 at the Chicago Mercantile Exchange and on the New York Stock Exchange's Composite Index at the New York Futures Exchange. The American Stock Exchange trades options and the Chicago Board of Trade trades futures on the 20-stock Major Market Index, designed to be a proxy for the Dow Jones index, and there are a host of other index contracts.

An example of an innovative use of options is the Gateway Option Income Fund, a mutual fund which buys the stocks included in the S & P 100 index and then writes call options on the index itself. If stock prices fell, the loss on the stock holdings would be offset by the premium income received. If they rose sharply, the equities would be called away, setting a maximum income for the fund. Thanks to the premium income, it claims to have been outperforming the S & P index.

Traded options on individual stocks on London's Stock Exchange took some time to take off, but were considerably aided by the arrival of British Telecom options last year. Though several years of bull markets have not provided a stimulus for hedging, many institutions have welcomed the opportunity to enhance premium income by option-writing.

A survey of institutional clients by stockbrokers Rowe & Pitman showed recently that 24 per cent were already active in using traded options, 18 per cent had recently begun to use them, and that 43 per cent planned to enter the market. This encouraged the firm, in setting its Big Bang strategy, to introduce an institutional service in equity options.

Fund managers are most likely to want to use equity options as writers in order to receive the premium income. The main risk lies in an unexpected sharp rise in equity prices, which would result in a portfolio being denuded of its best stocks.

Limitations remain, however, on the extent to which fund managers are allowed to use the markets. Unit trusts have long been lobbying the Government for permission to write put options. If such options are exercised, the writer would have to take delivery of the underlying stock.

The unit trusts argue that this activity is analogous to underwriting share issues, and that they should therefore be allowed to do it. It seems most likely, however, that the Government will want to see the City's new regulatory structure put in place before allowing such a change.

Fund managers can also use currency options, offered either by banks or on various exchanges, to hedge against the currency risk to their portfolios. Foreign and Colonial is among those that have made a significant entry into this market.

For institutions which feel that they have insufficient expertise, Rowse Woodstock, the futures subsidiary of Mercantile House, has set up a Risk Management Advisory Service designed to provide an education in the available instruments and techniques in trading them.

Renewed vigour for diversification

U.S. Pension Funds

TERRY BYLAND

THE federally-inspired diversification of U.S. pension funds into non-US securities markets, now entering its second decade, has shown renewed vigour in 1985. The Erisa funds, named for the Employee Retirement Income Security Act, have exceeded their target of putting 5 per cent of assets overseas, and now aim to invest 10 per cent of their asets outside the US within four or five years.

But the return on these assets continues to disappoint the industry. Managers of foreign invested US funds are now hoping that a further fall in the dollar will rescue their portfolios from woefully low rates of return of recent years.

The first five months of this year have seen renewed growth in international assets of the pension funds. According to Inter-Sec Research, Connecticut-based consultants on international diversification for US pension fund managers, these assets totalled $26bn, a net gain of 46 per cent on the year-end 1984 figure.

While short of previous peak growth rates, this total exceeds earlier forecasts and suggests that the gain in the yen, Deutsche Mark, sterling and Swiss and French francs over the past 12 months has already encouraged increased pension investment outside the U.S.

Also encouraging US managers to increase their overseas commitment has been the surge in many global markets to new highs, buoyed by strong recoveries in corporate earnings and by hopes that European economies will begin to pick up after their prolonged recession.

Calendar 1984 was a banner yeer for the Erisa funds, but only in one sense. US markets were in the doldrums for most of the 12 months, and the US domestic fund managers were struggling to keep pace with the major Wall Street indices. Overseas, however, the picture was brighter. Far Eastern stock markets, always favoured by US managers, soared ahead of Wall Street, as did some European bourses.

Japan turned in a return of 17 per cent, and Hong Kong 47 per cent, against a mere 6.2 per cent on the Standard and Poor's 500 index.

Yet, more than half the US pension portfolios followed by Intersec actually turned in negative performances last year. Most trailed the S&P 500, and most even trailed InterSec's own Europe, Australia, Far East (EAFE) index.

The problem was twofold. The strength of the EAFE index rested substantially on the growth in the Tokyo market, and particularly in Japanese bank stocks. The Erisa funds shied away from these stocks, and consequently missed a significant growth area.

But, more significantly in overall terms, returns on overseas investments were still badly undermined last year by the extraordinary strength of the dollar. Measured in terms of local currencies, the EAFE index returned 21.2 per cent. But a US dollar portfolio invested overseas brought a negative return of 14 per cent. This compares with a return of 6.2 per cent on the S&P 500 index.

This poor showing, all the worse since 11 non-US stock markets set new highs last year and eight beat the S&P 500, underlines the importance for Erisa funds and those who manage them of the outlook for the dollar, and the need to respond to its trends.

There are signs that the pension funds are readjusting policies in the light of shifting trends in global markets and also the G5 plan to lower the dollar exchange rate. Having badly missed the strong rise in returns from Japan, funds are now switching attention away from Jepan and towards the UK.

Returns from several European markets, notably Austria, Italy and Germany, have rocketed this year, easily outstripping the rise in InterSec's EAFE index.

The beginnings of what may be a substantial downturn in the US dollar has turned manager's attention towards overseas fixed interest securities, hitherto a neglected investment area.

Any prolonged downturn in the dollar is expected to be mirrored by a fall in U.S. interest rates, which would in turn fuel bond prices in the Far East and Europe. The possibility of substantial short-term capital gains in foreign bond markets has already pushed up Erisa investment in foreign bonds from an effective zero to $3bn or perhaps considerably more.

The move to fixed interest investment has made itself felt on the appointment of managers for Erisa funds, an area in which the industry has matured significantly in the past two years.

The general profile of Erisa fund management has been consolidated over the past 10 years. The established names have strengthened their position. The top 20 per cent of managers still handle 20 per cent of the business.

But lower down the scale, there are signs that increasing competition is taking effect. Contributions to Erisa funds fell $3.4bn last year as some workforces shrank and some pension plans were terminated. Although the total number of managers increased, some managers were forced out.

Of the 52 new managers appointed to manage Erisa funds, about half had, and were able to show, a relevant track record covering at least three years. Only two managers lacking track records managed to attract funds.

European and Far Eastern managers are finding themselves forced to share clients with US managers. Only 24 managers headquartered outside the US found Erisa funds to manage last year, compared with 27 two years ago. US-based managers held their share of the business steady, but the number of joint ventures, involving a US and a foreign manager, jumped from eight to 17.

It is likely that joint venture agreements, in which the US partner increasingly has the senior position and often selects the overseas manager, will continue to grow in the future.

In one sense, this was probably inevitable. Once the initial rush into overseas markets was over, Erisa funds were always likely to turn back towards the domestic management industry for advice. In turn, it was inevitable that the domestic managers would develop the international management capacity.

It is clear that non-US managers will find it harder to enter the market for Erisa funds as competition from the home side grows stronger. The US institutions have learned a great deal about currency fluctuations and international securities over the past decade. An Erisa fund taking the step into overseas markets no longer sees a foreign-based manager as an automatic choice.

International Fund Management 4

More work needed to make the right investment choice

Bonds
MAGGIE URRY

"AT LAST our clients know why they are employing us," says one bond portfolio manager. "For the past few years anyone could run a bond fund, just by buying dollar bonds and watching the currency go up while interest rates went down and collecting the double-digit yields. This year you have had to work at it."

The dollar started to fall in February, and the slide gathered pace when the Group of Five meeting of finance ministers in September agreed to a concerted effort to bring the dollar's value down. Bond fund managers have had to take decisions on which currencies to invest in as well as which markets will perform best.

They have a wider choice than ever before between different types of instrument and currencies. The Eurobond market now has a value of nearly $400m with well over $100m worth of new issues coming onto the market this year. There are around two dozen different currencies to pick from including baskets such as the European currency unit. Added to that the US Treasury market is easily accessible to foreign buyers with around $130bn worth of US Government paper held outside the country. And other domestic government bond markets are available too.

So a fund manager has to decide whether to buy high yielding paper such as New Zealand dollar bonds paying coupons of around 18 per cent, but with the chance that the currency will weaken, or to accept a much lower yield—of say 7 per cent—from Deutsche Mark bonds where there might also be currency gains. Then they must decide whether to hedge their currency exposure through the use of options or forward contracts.

The table of bond market returns shows how widely the performance in local currencies can vary when expressed in dollar terms. Many bond funds are dollar based and these have been among the best performers in 1985 so far, as long as their managers sold their dollar bonds and switched into other currencies such as sterling, the Deutsche Mark and the Yen.

Fund managers are often restricted from moving entirely out of the dollar, but those with the freedom to do so and whose timing was good, have achieved a high real return in recent months. Perfect timing would have been a sale of dollar bonds in February, though for most of the first half of the year they were still outperforming others as interest rates were falling.

Mr Alan Brown of American Express Asset Management took a bold line on the dollar. "In an unconstrained account our dollar weighting is now only 5 per cent. At the start of the year it was around 95 per cent," he says. And he is still bearish on the dollar.

Other fund managers took a less radical view. Mr Robert Stirling, manager of the GT Bond Fund, one of the top performers so far this year, says: "By July we had cut the dollar to 40 per cent of the fund and increased the Yen and Deutsche Mark weighting." The Gartmore International Bond Fund is another high performer and there the strategy has been to keep out of the dollar this year and stick to the European bond markets.

Where should fund managers go from here? Merrill Lynch the large US and international securities house, regularly recommends weightings for global bond funds for managers with a fairly short time horizon. After the dollar's tumble in September, Merrill has increased the recommended holding of dollar and dollar bloc currencies holdings to a 50 per cent weighting. The firm is suggesting a 10 per cent weighting in the Deutsche Mark bloc

International Bond Market Performance

First nine months of 1985
(Total rate of return, not annualised)

Bonds market	Performance in US$ terms %	Performance in local currency %	Currency movement v. US$ %
Eurosterling	34.7	11.1	21.2
Ecu	30.8	12.0	16.8
Euroguilder	24.8	8.4	15.1
EuroD-Mark	22.9	6.5	15.4
EuroYen	22.0	8.0	13.0
Swiss franc	21.3	5.0	15.5
Eurodollar	12.5	12.5	—
Euro-Canadian $	11.3	14.4	− 2.7
EuroAustralian $	− 3.5	12.3	−14.1

Source. AIBD, Merrill Lynch.

with 20 per cent in the Yen and the last 10 per cent in sterling. Part of this weighting Merrill recommends achieving through currency bedges, adding to the dollar and reducing the Deutsche Mark exposure.

Many fund managers remain bearish for the dollar though, expecting further falls of perhaps 20 per cent over a period, but with a more gradual descent than has occurred this autumn.

Managers must also decide whether to keep their funds in short-term instruments or longer-dated bonds. Merrill's recommendation is for a 40 per cent weighting in cash with only 10 per cent of the portfolio in bonds dated over 15 years.

Mr Brown of American Express says that his funds have moved considerably shorter in recent months. "We were holding longs," he says, "now we are 20 per cent liquid and 40 per cent in short dates. The only long-dated paper we have is in Deutsche Marks."

The outlook for inflation is one of the main factors affecting bond markets and many managers expect that around the world inflation will continue to slow. The exception could be in the US where some economists are expecting a pick-up in the rata of price rises next year.

Many managers of large funds have steered clear of the more exotic currencies such as the New Zealand dollar despite high yields in the sector, partly because of fears for the currency, but also because bond issues in these markets are often small and difficult to deal in. A fund baa to be sure that the bonds it buys are easily saleable if it is to be oble to change its weightings quickly and without excessive costs.

They must also look at the credit risk of the issuer of the bonds and many managers prefer to stick to sovereign names and supranational borrowers such as the World Bank. Investors can find slightly higher yields from bonds issued by lesser credits, while in the US there is a thriving market for "junk" bonds where issuers whose bonds are not considered to be investment grada borrow at higher interest rates still. Fund monagers often do not have the staff to aoalyse the borrowers sufficiently well to take advantage of these situations.

The market for bond fund management is growing fast. The US pension funds who have already taken the decision to diversify their equity portfolios are now spreading their bond investments further as well. Japanese investors have huge sums to place in the world's bond markets, and the Middle East is another cash-rich area. "There is no problem winning money to manage," says one portfolio manager, "it's deciding how to invest tha money that takes the effort."

Profile: Robert Fleming — **By Barry Riley**

Cross-border venture stays course

ROBERT FLEMING is notable both for being one of London's largest fund management groups—with associates it managed $15.7bn at mid-1985—and for its successful joint venture approach to international marketing.

Although many other cross-border joint venture deals have fallen by the wayside, Fleming's appear to have stayed the course. Jardine Fleming, for instance, was started as long ago as 1970 and now runs around $1.5bn in the Far East as well as covering a range of other investment banking functions. It is a joint venture with Jardine Matheson.

More recently, in 1979, Fleming decided that the only way to break into the North American market for global fund management would be by linking with a US domestic firm. A tie was formed with T. Rowe Price of Baltimore, and Rowe Price-Fleming International now controls over $1.1bn of client funds.

Now Fleming has used the same route into the Japanese market, albeit at one remove through Jardine Fleming. Last January Jardine Fleming Investment Advisers (Japan) was formed as a joint venture with Yasuda Trust & Banking. The aim is to participate fully in the development of institutional fund management in Japan.

Inevitably this leads to a complex organisation, however, and at the same time Fleming has set up International Portfolios Group, which is separately selling a global product to non-US clients. At present these appear to be mainly British, Canadian and Australian and accounted for $923m at the end of September.

Meanwhile, of course, Fleming has a very substantial domestic UK business for pension funds, Save and Prosper investment trusts and so on, which themselves will have important overseas elements in their portfolios—but will not have a global perspective as such.

The Fleming guideline for joint ventures is that both parents should be in a position to make contributions that the other parent cannot replicate. There must be equal but complementary contributions.

Martin Wade, president of RPFI, explains the background there. "No-one had heard of Flemings among pension funds in America. And we had to learn about a very complex legal environment. As for marketing, to be frank we didn't know too much about the whole process of determining where the market is, the individuals that should be addressed, or the design of literature or graphics."

In the Far East, however, Jardine Fleming has become a big company in its own right and Patrick Gifford, international investor director of Fleming and also a director of Jardine Fleming, admits that after 15 years there are now less clear cut relationships with the parents.

At the same time, Jardioe Fleming is too big simply to be split up in the way that a smaller Far Eastern joint venture, Henderson Baring, a partnership between Henderson Administration and Baring Brothers, was last year.

Patrick Gifford points out that Fleming is protected by a buyout right if Jardine Matheson were ever taken over. Meantime it has built up a separate Far Eastern investment management capability in London and Tokyo, with some $1.8bn under management, paralleled by a separate US portfolio management group looking after $750m or so.

The emphasis at Flemiog is very much upon the organisation of resources in depth. "We operate on a very centralised basis," says Francis Ledwidge, head of the international portfolios group. At the same time, there are systems to cope with the specialised requirements of individual funds, and flexibility is built in at the stock selection level.

Stock recommendation lists are generated, influenced by approach. "But you do not have to buy what is on that list," says Francis Ledwidge. "It is not a mechanical system."

At the overview level, a strategic committee meets in London each month and makes basic asset allocation judgments, according to a matrix of assets and national markets. The aim, however, is to turn this into a tailor-made service for individual funds rather than to impose a rigid pattern right across the client list.

Greater sophistication required

Performance Measurement

DUGALD EADIE AND JOHN GILLIES

INTERNATIONAL investing is not new, but in recent years it has become a more widespread phenomenon than ever before. Investors from the US, UK and Japan own more foreign investments than previously in their history, and the trend is upward. Increasingly, therefore, investors need a series of indices to assist them with the planning of portfolio structure and the evaluation of performance.

To date, for the world equity markets many investors have used the indices published by Capital International Perspective, of Geneva. These indices are technically similar to the FT-Actuaries All-share, and the Standard & Poor's 500, which are widely used and respected.

Nevertheless, it has been clear that the (CIP) indices have differed dramatically from the actual experience of most international investors, unlike the FT-A and the S&P in their markets.

This disparity has raised serious concerns among international investors: if the index is a good one, why have investment managers performed so erratically in relation to it? If the average experience is a fair reflection of the markets, why has the index been so different? To answer these questions, a closer look at what an index is must be taken.

The stock market index has become such an established feature of today's financial markets that it is almost taken for granted as an impartial and unfailing arbiter of market performance. We are familiar with comparison of investment performance against indices, and with the invitation to make consequent judgments. We tend to take for granted the assumption that the index is a fair representation of the opportunities offered the investor.

How did it all come to be thus? It is useful to recall the purpose of the very first stock market index, the Dow Jones Industrial Average (DJIA).

The stated objective of this index was to represent the experience of the average investor. The terms may seem naive today, when the meanings of "average" and "investor" are in perennial open season for interested parties to debate. Yet it was a fair objective to pursue, and it remains so. The best and most pertinent question to ask about any index, for any market, is still "Does it represent the experience of the average investor?"

The method chosen for the DJIA was a simple average of the share prices of 30 leading companies. Before long, it was perceived that there were two problems with this index: first, it was more influenced by a movement in a high-priced share than by the same percentage movement in a low-priced share; and second, it did not reflect the fact that some companies had more shares in issue than others, and that the "average investor" would hold proportionately more shares in those companies.

This problem was solved by a technique called "capitalisation weighting," which provides in effect a notional collective of all the portfolios invested in the market. Companies influence the index in proportion to their size (market capitalisation) just as larger holdings have greater influence within a real portfolio.

Indices based on the capitalisation weighting technique, such as the FT-A All-Share, and the S&P 500, include a large number of stocks, usually representing over 75 per cent of the total value of all the stocks listed in the appropriate market.

The FT-A and the S&P rest on the logic that in a particular market the average investor and the notional collective of all investors are very similar because most investors in that market share similar objectives, opportunities, and constraints. The index is a close proxy for the collective. There the index may fairly be said to represent the "average."

While that syllogism obtains in the US and the UK, there are difficulties in applying the concept in its "pure" form to some other markets around the world, and even greater difficulties in grouping different countries together in one index. It is not correct in all markets to assume that the collective is similar to the "average," or that the index satisfactorily represents the collective.

There are two major problems:

- In certain countries, the degree of corporate cross-shareholding is very high. This can lead to double-counting of assets within the index. Ranking alongside this syndrome is the high incidence of government shareholdings in certain countries. Unless one takes the generous view that governments are to be regarded as "just another investor," the index will overstate the opportunity universe available to the average investor.

This difficulty can be, and has been solved in some countries (notably Canada and Australia) by excluding the portion of some companies' issued share capital that is held by another corporation or a government. It can only be solved, however, if information on these shareholdings is readily available. In some countries it is not: it is clear that Japan is a market very much affected, but precise figures are hard to come by. Until they are available, there will be serious doubts about any traditional index representing that market, no matter how technically excellent it is.

- Averages can sometimes mislead. One person shivering at the South Pole, and another person on the point of heat exhaustion in Death Valley, together form a group that is, on average, comfortable. It may appear at first sight reasonable to aggregate the collectives of investors in different countries to represent "the world." Nevertheless, there are some danger signs. Some countries restrict participation in their markets by foreigners. More generally, it would be untrue to say that the global investor's circumstances in a particular market was similar in objectives, opportunities and constraints to that of the domestic investor.

An index that aggregates the collective experience of all investors, domestic and foreign, in all countries, is therefore risking encompassing too much heterogeneity. It may not represent fairly the experience of the global investor.

What are the solutions?

Firstly, each country's representation must be cleaned up. Indices should perhaps be based on share float rather than issued capital. Where information is lacking as to the true size of the float, we should test the validity of using long-term average share trading volume as the basis for deciding company weightings in the index.

Secondly, we should distinguish between indices representing the domestic investor's opportunity (the whole market) and the foreign investor's opportunity where that is restricted.

Finally, even supposing that an improved World Index can be created, there remains the issue of how to use the Index as a benchmark for a particular fund. In many cases it may still be more useful to compare a fund with a "peer group" or "universe" of funds with similar objectives. Alternatively, it may be necessary to construct variants of the World Index to reflect the objectives and constraints of the particular fund.

With the ever-increasing globalisation and sophistication of the world securities markets, the owners of the funds will require more sophisticated information to monitor the services supplied by their professional investment managers. Likewise the managers and advisers require a credible database of world securities which they can use for portfolio planning purposes.

Dugald Eadie is managing director and John Gillies international performance director of WM Computer Services.

Two cultures in competition

Management Styles

BARRY RILEY

BOTTOM up and top down, index matching and currency hedging, are a few of the styles that may be about to clash in earnest in the field of global equity management.

Traditional European-style portfolio management is being brought face to face with the newer techniques which have been developed for the US domestic institutional market. The two cultures meet in competition for the global portions of US pension funds, the so-called ERISA funds which have channelled more than $25bn into non-US markets in the past few years.

The pioneering phase is now over, and in a more mature environment plan sponsors and fund managers are assessing each other in a more critical way. At the same time, a number of American firms of investment advisers are moving into global management, making life more difficult for the London-based managers.

Not surprisingly, the Americans are bringing with them the multiplicity of styles which have come to be a feature of the US domestic management scene.

The trustees, meanwhile, are gaining familiarity with international conditions, and are building their confidence. According to Donald Hardy, senior vice president of Frank Russell International in London: "Five years ago people were just getting their feet wet. Now they are able to refine the briefs they give their management and make them more complementary."

For the big London-based managers, there has already been a considerable readjustment in their thinking, to match the more analytical basis of the management selection process for US clients.

Traditionally, the approach of a major management house like Baring Brothers — which manages some $8.7bn worldwide including $1.6bn for ERISA and other international clients — has been to operate through a network of local offices and combine this with tight central control.

In the American terminology this combines a "bottom up" approach to the picking of individual stocks with a "top down" assessment of the values of particular markets — leading Baring, for instance, heavily into the Continental European markets this year.

In the early phases of the exodus of ERISA money, the obvious presence of the big London managers on the ground in the Far East counted for a great deal. Clearly teams of analysts in Tokyo and Hong Kong ought to be worthwhile. Yet assumptions like these have come under scrutiny as managers have sought to ascertain where they really add value for their clients. Competitors have attempted to break into the market place without the benefit of the infrastructure of the established firms.

Certainly a global bottom up style is very expensive in terms of the numbers of analysts who need to be employed, the branch offices which must be maintained in expensive locations like Tokyo, and the vast quantity of information which must be obtained and processed.

Placing more emphasis on top down asset allocation has the advantage, according to some theorists, that it is in the area of relative market movements that the most glaring inefficiencies are to be exploited. More cynically, it is comparatively cheap to set up a team of economists and market strategists.

Another possible approach is index matching, on which one or two organisations are doing work, according to Frank Russell. The passive approach has proved popular domestically in the US, and there would probably be a demand for it internationally—especially after a year in which active managers have often been badly caught out.

Variants of this are possible. Truly global indexing would involve matching the Capital International World Index or some other measure of the world market as a whole.

But an alternative would be to combine index-matching national or regional funds with a top down approach to market weightings. This might make it possible to outperform a world index without getting involved in the very high costs of analysis of individual securities on a global basis.

Meanwhile, some managers are content to develop a regional expertise in areas like the Pacific Basin. And Frank Russell has identified some who are better at a so-called EAFE brief (after the Europe, Australia and Far East Index) than at a truly global mandate.

There is also the currency dimension to portfolio management, which has been exploited by some. Thus ABD International, a subsidiary of Dresdner Bank, has become known as something of a currency hedger. But managers have found that an aggressive approach to currencies is not always welcomed. American corporate officials tend to have lost so much money on currencies themselves that they are sceptical that anybody else can do better on a consistent basis.

All the same, currency strategies are clearly part of a global investment approach, and ultimately managers will wish to have valuation techniques at their disposal which can cope with a wide range of different asset categories, including switching between bonds and equities.

County Bank is one of the organisations which is hoping to bring new techniques to bear on international portfolio management. "The ERISA market is changing significantly," says Christine Dowton, managing director of County Bank Investment Management. "We are taking a very analytical and disciplined approach to fund management in both passive and active activities."

She argues that it is going to become much more important to demonstrate to clients quantitatively what has been achieved for them—not just overall, but at various different levels of decision making.

Similar views are expressed by Henk Klein Haneveld, who has just been appointed global strategist to Touche Remnant, a traditional London-based investment trust group which is diversifying and now runs nearly £3bn of which two-thirds is international.

His aim is to put in place an internal review system which will pinpoint strengths and weaknesses, taking advantage of the potential of modern microcomputers. "We are paid to deviate from the consensus," he says. But with better information it will be more easily possible to judge where risks will bring high rewards.

At any rate, global fund management seems certain to be characterised in the future by much more complication and much more variety.

Profile: Capital Group — By George Graham

Strong overseas experience

OUTSIDE THE US, the public face of the Capital Group has for years been its range of world equity indices, contained alongside other financial and market data in the publication Perspectives.

This publishing operation, however, is only an offshoot of Capital's main line of business, fund management. It is an offshoot, moreover, that is about to be shed, for Capital is to sell the publishing arm to the New York brokerage Morgan Stanley.

"It is not strictly consistent with our main business, fund management," says Mr Bill Grimsley, senior vice president at Capital's London division. "And the ability to get information on non-US companies is light years ahead of what it was when we first had to set up the service."

Not that Capital plans to reduce its emphasis on value-oriented research, which gave birth to the Capital International indices in the first place. The group, which now manages around $25bn, continues to base its investment philosophy heavily on fundamental research.

With 40 analysts worldwide, Capital spends around $12m a year on its research activities. These include following 600 companies actively and generating regular earnings estimates for them, as well as monitoring the results of an additional 1,200 companies. Even Capital's fixed interest analysts pay close attention to the fundamentals of the companies whose debt they are buying.

Capital dates back more than 50 years, when it took over the investment management of one of the US's oldest mutual funds, the Investment Company of America. Mutual funds remain one of the cornerstones of its business, with the 13 open-ended funds in the American Funds group now accounting for nearly half of Capital's total funds under management.

Indeed, mutual funds—which are run by the group's Capital Research and Management Company division—are once again the fastest growing side of Capital's business, overtaking the pension fund sector. Pension funds, managed principally by Capital Guardian Trust Company, still account for over half of the group's funds under management. Subsidiaries in Geneva and London — Capital International SA and Capital International Ltd—also manage funds for clients outside the US, as well as providing international research for Capital's US fund managers.

The group operates an investment management system somewhere between management by individuals and management by committee. Under the "multiple portfolio counsellor" system, which Capital has been using for over 20 years, each portfolio is divided into a series of smaller sub-portfolios, with one individual responsible for each of these. While an investment committee has ultimate responsibility, Capital says the right of veto is hardly ever used.

In addition, a portion of the portfolio is allotted to the financial analysts and research staff. Under the supervision of the director of research, individual industry analysts put together their own selection of shares, and act collectively as a single "portfolio counsellor" for a segment of each fund.

As US pension funds now start to look overseas, Capital expects to benefit from the international experience it has developed since opening its Geneva office in 1962.

"We have been beating on people for ten years to invest outside the US," says Capital's Mr Grimsley, "and they just went ho-hum. Now they are throwing money over the transom."

Signs of move from a narrow investment band

Japanese Capital Exports

JOHN MAKINSON

WHEN THE Tokyo bond market suddenly collapsed at the end of last month, some Japanese fund managers were crushed in the rush to the exit. For others, the really serious losses were being incurred not in Tokyo bnt in New York.

What prompted the bond market debacle was a sharp, and officially encouraged, rise in domestic interest rates which had the effect of driving np the yen against the dollar. In yen terms, the value of dollar investments was immediately reduced. For the Japanese institutiooal investor, that was a very serious matter indeed.

In the past two years the Japanese have become far and away tbe most important foreign investors in dollar assets. In 1984, Japanese investors ploughed $31bn into foreign securities, with at least three-quarters of the total going into dollars. Japan now rivals Saudi Arabia as the largest creditor nation in the world with oet foreign assets — at the end of August this year — totalling $84bn.

The Japanese have not on the whole been adventurous investors. They have committed the bulk of their foreign funds to the U.S. Treasury bond and bilt markets. The narrow band of their investment no doubt reflects the innate conservatism of the Japanese fund managers.

Until recently at least, it has been hard to argue with their logic. The US debt markets are large and liquid, while the instruments on offec are of the highest credit quality available. More importanr, US debt securities have offered — io terms of running yield — returns far superior to anything in Tokyo.

The gap between long bond yields in the US and Japan has consistently been around 4 per cent this year so, for the long-term investor, the yen has to appreciate a very great deal against the dollar before the Tokyo bond market offers a competitive total return.

However, Japanese institutions are beginning to look more closely at alternative foreign investments. The sharp fall in the dollar against the yen this year has pointed up the short-term exchange rate risk, while the fact the weakening dollar has not been accompanied by a significant drop in US interest rates has undermined the old idea that exchange rate losses would automatically be compensated by capital gains on the underlying security. So fund managecs are now looking with more interest at non-dollar investments and at equities.

For foreign investment management groups, this is an enticing prospect. In fund management terms, Japan is the new Organisation of Petroleum Exporting Countries (Opec) and even a small slice of the available cake could work wonders for fee income. For the most part, foreigners are still chipping away at the icing.

Japanese institutions and corporations are reluctant to impaic theic long-term relationships with domestic securities firms by hiring foreign fund managers.

The foreigners do, howevec, hold cards in their hand. They are generally far more experienced in international portfolio iovestment than their Japanese counterparts, many of whose track-records in overseas fund management is lamentable. The pressure on Japan to open up its financial markets has not been exactly unhelpful to their cause.

So far, the preferred route has been the joint venture, with the securities firms and trust banks providing the client base and the foreign investment manager the research and investment expertise. In June this year, the Japanese Ministry of Finance announced that nine foreign banks would be permitted to enter the domestic trust banking business and compete with Japan's eight trust banks for corporate pension fund business. It was an important step forward.

Having gained o foot in the dooc, foreign investment managers are considering whot resources should be placed behind their marketing effort. Foc it is by no means a foregone conclusioo that Japanese investment in foreign securities will continue at its recent pace.

The boom of the eorly 1980s represented the release of pent-up demand for overseas portfolio assets. Not until the deregulation of foreign exchange transactions in 1980 had Japanese institutions been permitted to invest in foreigo securities. In the past five years, they have rapidly approached the officially permitted ceiling on non-yco investments.

Life and casualty insurance companies are allowed to direct no moce than 20 pec cent of their monthly cash flows to foreign assets, with an overall ceiling on foreign holdings of 10 pec cent. This limit has been reached in many cases alceady, encouraging insurance companies to take odvantage of a loophole which permits investment in foreign securities issued by Japanese companies.

Moreover, corporations oce not likely to continue building up portfolios of foreign securities at the same pace. Japanese exports are expected to increase only by around 1 pec cent this yeac, in dollar terms, according to Nomura Securities, compared with a rise of 15.7 per cent on the same basis last year. So theco will be fewer surplus dollars available for investment at a time when domestic cash flow will be less strongly positive.

Foc foreign fund management groups, bowevec, the future growth in foreign asset holding is of secondary importance. There seems no prospect of wholesale disinvestment in overseas securities and the size of the funds alreody placed outside Japan is quite mouth-watering enough in itself.

Wall Street, New York. The Japanese have concentrated heavily on US investments, but are beginning to look more closely at alternative foreign markets

Concentration of talent bolsters prominent role

London as a Centre

BARRY RILEY

FUND MANAGEMENT companies in London, and to a lessec extent in Edinburgh and Glasgow, bave become prominent in the business of running global portfolios. Indeed, London bas become so pre-eminent in the institutional sectoc that a numbec of important foreign managers run theic ioternotional portfolios out of London. These include American groups like J. P. Morgan and American Express, and Swiss banks such as Lombard Odier.

But is Loodon's prominent role sustainohle as the market for global investment skills becomes bigger? There are sigos that o numbec of US money management firms are now actively developing products and styles aimed at internotional investment clients. Some of them are furious that pinstriped British investment managers bove beeo snatching the global business of US clients. For various reasons, however, it may not prove all that easy to knock Londoo off its perch.

Londoo's most often quoted advantage is its positioo io the time zone framework: it is possible to talk to Tokyo in the morning (though connections cao be hard to ohtain in practice) and to New York aftec lunch. Even California can be contacted late in a Londoo afternoon, despite the eight-hour time difference.

Other European financiol centres share similar advantages, but they do not usually boast other features such as a strong tradition of international dealing, ond the basic advantage of the English language in the financial markets.

The crucial advantage of London, however, is widely thought to be its depth of institutional resources, backed up by the availability of information and a favourable cultural framework.

"Visitors can see so institution every hour of the day, and then they can invite people for dinner," says one international manager, who thinks the future scope for London is "terrific."

For Americans, in particular, London can be an attractive place to visit on an expenses-paid business trip — which is said to be a not insignificant point for US pension plan sponsors who might have, say, Philadelphia or Minneapolis as alternative fund management centres.

On this slightly cynical view, a ready supply of tickets for hit shows is one pre-requisite for a successful London manager majoring in the ERISA market.

More fundamentally, however, the concentration of skills is of great significance; the phrase "critical mass" tends to crop up in any discussion of London's position. This applies not just to the availability of portfolio managers and analysts but just as crucially to the "back office" staff used to handling international transactions.

This is where London tends to score over US-based managers who have benefited from the highly automated dealing and settlement systems which are found in their domestic markets, and have been able to run their back offices down to a couple of staff keying data into computer terminals.

Such managers run into big problems when they try to coax reluctant certificates out of Sydney or Milan, without the expertise of the kind of Londoo back office staff who are used to grappling with cross-bordec bold-ups.

At the same time, London enjoys a coocentratioo of international securities firms which is unrivolled anywhere except possibly in New York. Other centres may try to moke up for this through the telephone and telex; but practitioners in London hove access to a busy programme of seminars and presentations, ood the need for travel is less than it might be in a smaller city.

Some fund managers point out that this infrastructure extends beyond finance and investment, and that the presence in London of political bodies such as the Institute of Strategic Studies is vital to the formulation of political risk analysis.

Anothec ocgument put forward to explain why London's pre-eminence is not likely to be simply temporary is that investment talent in the US—and to a large extent in Japan—is diverted by the sheer size of the opportunity io those domestic morkets.

"Loodon's advontage is the lack of scale of the cest of Britain," is how one leading fuod mooagec puts it. The top talent is being attrocted into international management.

Another top manager expresses a similar viewpoint. "Io New York the international scene is secondary. It is increasingly the main name of the game io London."

Hedging against dollar fall proves expensive

Currencies

GEORGE GRAHAM

FUND MANAGERS are still licking their wounds from their experience last year with currency fluctuations. As the US dollar rose, and kept on rising, against other major currencies, many managers embarked on hedging policies designed to insulate themselves against the dollar's seemingly inevitable fall.

The decision cost them dear when it came to adding up their performance over the year. An analysis of the performance of over 750 pension funds carried out by Cubie Wood, the actuarial consultants which forms part of the Hill Samuel group, showed that currency hedging cost an average of £250,000 per fund in 1984.

On overseas portfolios the average loss caused by premature currency hedging amounted to around 1.7 per cent over the year—enough to make the difference between bettering the median performance and sinking into the bottom quartile.

To judge by preliminary results so far this year, fund managers have not been deterred from hedging, and have won back about 0.7 per cent by hedging in the first six months—with perhaps another 0.3 per cent gain between July and September.

In some cases the gain is not offset by last year's losses. The M & G unit trust group, for instance, successfully introduced a hedge when the pound stood at $1.06; all last year, it refused to hedge its American funds, on the grounds that its investors had chosen it to manage equities in the US, not currencies.

For many, however, the novel experience of seeing large currency losses appear on annual reports concentrated attention on whether hedging was an appropriate activity for the fund manager.

Mr Keith Jecks, of Cubie Wood, launched the debate by questioning whether currency transactions should be viewed as hedging, rather than investment. "In the longer term, selling dollars forward is nothing less than taking a view on the dollar, something which many trustees would feel unhappy about if it had been presented in this manner," he said.

"The justification for hedging is either if at the end of the hedging period the overseas investments are to be realised, which is very unlikely in the case of a pension fund, or an attempt to improve short-term performance comparisons."

Mr Jecks's views do not amount to an outright condemnation of currency hedging. He still regards it as a valid investment decision for a fund manager to take, although he doubts whether any groups have shown themselves to be consistently expert in currency management over the longer term.

He does, however, regard it as misleading to present currency transactions to trustees as some form of insurance against currency risk. The point is accepted by many fund managers. "In the long run, currency movements are something of a zero sum game," said Mr Robert Boyd, of the independent fund management group GT. "But in the long run we all get fired by our trustees."

Mr Jecks concedes that performance analysts like himself are to some extent to blame for the preoccupation with short-term performance that has led to a greater degree of currency hedging. "My criticisms were intended to highlight some of the problems in the system, not least those which we cause," he said. "It worries me that currency hedging is one area where fund managers are changing their policies to suit quarterly performance measurement."

For most fund managers, the decision on whether or not to hedge their overseas exposure is certainly based on short term factors. As GT's Mr Boyd puts it, the long term is based on fundamentals, so the relationships of currencies will not change dramatically; the medium term cannot be forecast, so there is nothing you can do about it; and the short term is entirely technical. His own group's hedging is carried out entirely on technical analysis.

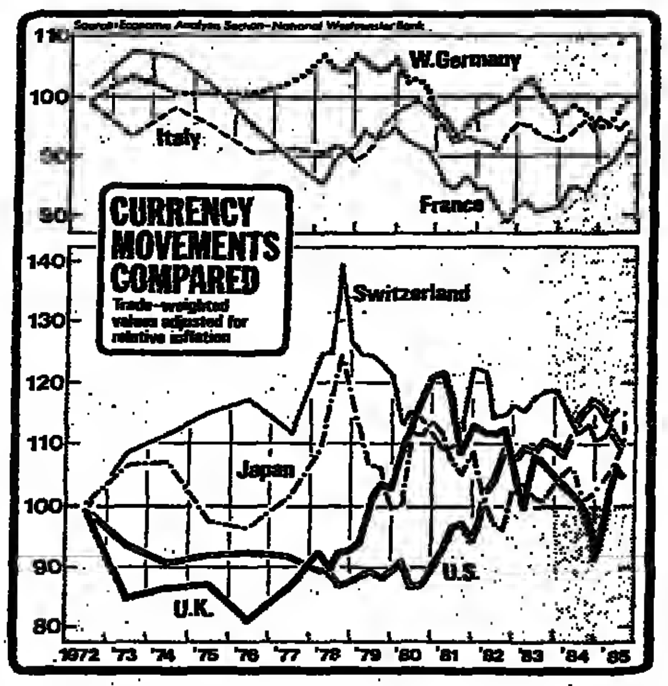
"Our view is that you are not going to make money, but you can stop yourself losing money from time to time," Mr Boyd says. "Whatever you say about the long term, can you take the extremes of volatility in the short term?"

If in future the currency options market should develop to the extent that it becomes a practicable choice for the fund manager, options could provide a means of insuring against currency risk, rather than taking a currency investment decision. At present, however, options are too expensive and their tax treatment too ambiguous for UK fund managers, at least, to make much use of them.

The cost, at between 1 and 1½ per cent of the funds hedged, would very nearly have matched fund managers' currency losses in 1984, when they were in general disastrously wrong in their assessment of the strength of the dollar. The cost disadvantage is reinforced by the likelihood in the UK that options profits could not be set against the capital losses they were designed to offset, but might be treated as trading income.

For most fund managers, then, the realistic hedging methods remain forward currency contracts or — especially for those whose trustees enforce investment restrictions, such as unit trusts —back to back loans. With these methods cost is not regarded as a factor in deciding whether or not to hedge. Indeed, the difference in interest rates between the US and the UK can bring a small profit on the hedging transaction, regardless of currency swings.

But whatever the methods used, fund managers can expect their trustees to be more questioning in future over their hedging policies — and over whether it is right for them to embark at all in the stormy waters of the world's currency markets. In Mr Jecks's words: "Unless you are to repatriate money, it doesn't matter what the currency does in the meanwhile."



Swimming with the tide

Diversification

CLIVE WOLMAN

1985 IS SET to become the year in which the arguments for the international diversification of equity portfolios were finally accepted by the managers of the world's largest pool of portfolio assets, the US pension funds.

The immediate cause has been the fall in the value of the dollar since February. US academics and international fund managers eager for business had been advising US pension fund sponsors for at least two years to exploit the over-valued dollar by using it to buy foreign assets. But, as the dollar continued to rise against other currencies throughout 1983 and 1984, those US fund managers and pension plan sponsors who had already ventured overseas saw their foreign portfolios under-performing. And the more aggressive investment managers, whose performance is assessed quarterly, or even monthly, found it difficult to swim against the tide.

According to Intersec, a pension fund investment performance service, the value of US pension fund assets invested outside the US stood at about $23bn in mid-October, compared with a figure of $15.5bn at the start of the year. The increase attributable to the fall in the value of the dollar and the rise of other world stock markets is about $4bn, so that pension funds have invested approximately another $3.5bn overseas in the first 9½ months of the year.

Overseas assets still account for only about 2.75 per cent of the total. But, after allowance is made for the time sponsors take to approve a strategy of international diversification, that proportion is expected to rise substantially, possibly approaching 10 per cent by the early years of the next decade.

French, German and Dutch portfolio managers with restricted opportunities at home have long accepted with little dispute the need to invest abroad and typically hold over half their portfolios in foreign securities. However, investment managers in all countries except possibly the US, have to diversify into at least some of the large multi-national companies listed on foreign stock markets as the only way of building up a reasonable stake in many industrial sectors.

In the UK, investment overseas was restricted by exchange controls until 1979. After that, until the last quarter of 1983, there was a major outflow of investment funds as pension funds moved between usually 10 and 20 per cent of their assets abroad. The average is about 15 per cent. However, that net outflow has virtually ended. At the same time, the Labour party is committed to forcing pension fund managers to reduce that proportion to 5 per cent again by threatening to withdraw their tax privileges if they fail to comply.

Investment managers in the UK, and to a greater extent in the US, where the range of domestically-based industries from which the investor can choose is so broad, have been increasingly influenced by the theoretical case for diversification overseas.

In terms of modern portfolio theory, the basic argument for investment overseas is that, because of the fairly low correlations between different world stock markets, an international investment manager can reduce the riskiness of his portfolio (as measured by the variability of its returns) without sacrificing expected returns — or can achieve higher expected returns for the same level of risk. The opportunities are highlighted by the experience of many of the smaller equity markets in south east Asia and Europe which have yielded high returns over long periods, while the additional riskiness of each market individually can be diversified away.

In an analysis of the 13 largest equity markets in the world between 1972 and 1979, Messrs Elroy Dimson, Stewart Hodges and Paul Marsh of the London Business School seek to quantify this effect. They estimate that whereas the holder of a diversified portfolio of UK equities faced a variability of 29 per cent, by diversifying into a portfolio of world equities he could have reduced the variability to only 12 or 13 per cent. The researchers claim that the figures for variability remain fairly stable over long periods.

The authors also challenge the conventional assumption that currency fluctuations add to the riskiness of international portfolios. Although an international portfolio which is not hedged against currency fluctuations is exposed to greater risk in terms of nominal domestic money, the authors argue that in real terms an unhedged portfolio is probably less risky because changes in exchange rates offer protection against (unanticipated) domestic inflation.

However, the force of this argument has been seriously weakened over the past two years by the rise and fall in the value of the dollar which had only a tenuous connection with changing forecasts of future inflation rates in the US and its trading partners. More fundamentally, the gyrations of the currency markets over that period have challenged the axiom on which the LBS study and much of modern portfolio theory is based, namely that financial markets efficiently reflect all publicly available information in the prices of the assets they trade.

The main conclusion from this is not perhaps that international fund managers should seek to add value by adjusting their currency weightings to exploit market inefficiencies, as few can point to a consistently strong record of currency management. It is rather that a policy of consistent currency hedging can help reduce the riskiness of international investment.

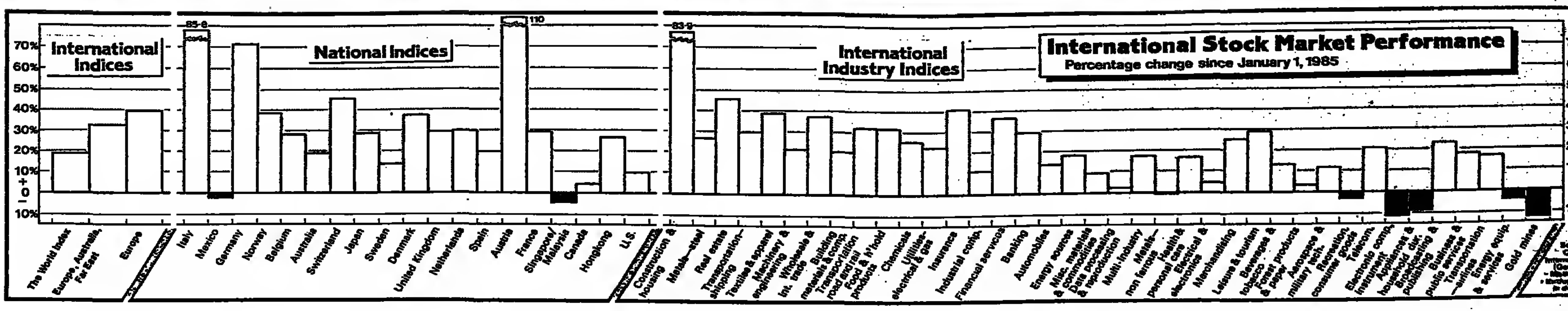
The other argument in support of international investment is that some financial markets, particularly small foreign equity markets, and the individual stocks listed in those markets, are inefficiently priced. Therefore, it is easier for the foreign investor to add value by spotting bargains. Among the small under-valued equity markets which have recently been discovered by foreign investors are the Swedish in 1982, the Spanish in 1984 and the West German most recently.

This argument can be turned on its head. The chief traditional deterrent to overseas investment has been the cost of acquiring information—and of dealing. If foreign investors cannot be assured that the stocks they buy and sell are priced reasonably efficiently, they may decide that the risks of foreign investment are too great.

Professional fund management organisations have developed and marketed their international expertise to assuage such fears. UK merchant banks, such as Morgan Grenfell, have achieved great success in the US pension fund market by using this approach. Nevertheless, their charges, both explicit and covert, are often high. And their clients are unable to judge whether they are getting value for money, particularly as there is no consensus as to how a world stock market index could be constructed so that it could be used as a benchmark for investment performance.

Some US fund management groups, for example Grantham, Mayo, Van Otterloo and Company of Boston, have recently taken the opposite tack. They have started to market passively-managed international funds which are designed merely to track or replicate the Capital International world index or another international index. Such funds represent the logical, practical expression of the approach that justifies international investment purely in terms of the benefits of diversification.

International Fund Management 8



Strong enough to take the setbacks

Venture Capital in the U.S.

TERRY GARRETT

IT SAYS something about the maturity of the US venture capital market that its practitioners talk in terms of cycles. Although the level of activity has gone fiet, especially in terms of hacking stert-up schemes, people close to the market such as Jene Morris of Venture Capital Journal, the US specialist magazine, talk confidently of a resurgence of activity—sometime.

Indeed, the sector is suffering from o hecklash following the over-indulgence of 1983. The markel was totally gung-ho then, according to Rhys Williams of Alan Patricof Associates, the venture capital group. The stock morket was in hullish mood and institutional investors naively saw the venture capital sector as an easy woy to make money.

Not surprisingly the "easy money" expectations proved misguided after o very short run. The high technology electronics sector in the US stumbled, some companies failed eltogether and a greet many more lost their glamour for investors. At the same time, and for much of the same reason, the stock market cooled and so not only were companies running into troding difficulties but even the successful ones were finding it difficult to join the quoted sector, cutting off the opportunity for quick returns for investors who had hacked them in earlier days.

David Quysner of Abingworth, the UK venture capital group qnoted in London, says that Silicon Valley is still in a state of disarray as far as many of the companies are concerned. The well managed and correctly structured companies are still in fair shape and will come right eventually, but the events of the last couple of years have scared off many investors and, of course, that has led many to assume that the whole market is becoming deprived of capital.

In fect, as Devid Quysner points out, the sector is not quite as short of funds as some commentators suggest.

According to statistics compiled by Venture Capital, independent private venture firms raised $1.3bn in the first half of this year for investment, only slightly down on the $1.4bn raised in the second half of 1984.

The level of commitment to new ventures continued to decline—it has been slipping since the first half of 1984—but the rate of descent is not olarming. Jone Morris anticipotes that for the full year venture capital investments will not be materially different from the $3bn invested during 1984. Thet would lift the level of money invested in the last half a dozen years to around $13bn.

Pert of the reason for this stobilisation of new funds, despite the disoppearance of many US investors sucked into the market in the heydays of 1983, is the increasing involvement of foreign investors. Traditionelly, US pensions funds eccount for the most significant proportion of money committed towards venture capital projects. Yet, in the first six months of this year, the proportion of the market supplied by these funds dropped to 28 per cent—the first time it has heen below 30 per cent since 1981.

Pensions fund money still accounled for the largest single share, however. But the sector's commitment of $360m in the first six months of 1985 represents a drop of 45 per cent against the same period of last year.

Significantly foreign investors have increased their effort, putting up $352m in the half year compared to $349m in the same period of 1984. That actual increase may he small hnt it is meaningful in the light of declines elsewhere. Foreign investors contrihuted 27 per cent of the market in the period compared to 18 per cent for the whole of 1984 ond 16 per cent the previous year.

There are several reasons for the surge of ectivity from oulside the US. Generally the venture capital industry is becoming more international as similar activities expand in the UK and continental Enrope. Also, it is suggested, foreign institutions are using the US os a testing ground—because the country's venture capital market is well estahlished—before increasing their eommitment to their domestic markets.

So, despite the withdrawal of some investors, the US venture capital market would appear to be odequately supplied with funds thanks to the support of foreign investors. Yet that assumption, just like the impression that the market is short of funds, does not reflect the position accurately.

The US venture capital market differs from the UK in that the sums involved are generally much larger and often directed towards more established companies, where the funds might be better described as development, rather than venture, capital.

In the current climate, where many companies hove heen unohle to go to the stock market for capital, either because their own trading performance is not np to scratch or because they believe the market would be more receptive at e loter date, venture capitalists are heing increasingly requested to finance second round funding.

So hoth the venture capitalists' time and money are heing diverted towards companies where they already have en investment. This is causing the movement some concern. The mushrooming demands of their existing portfolios meens that true start-up opportunities, which really need the ottention of venture cepitelists, ore being sterved of funds and management guidance from the investing funds. Start-ups are expected to take little more than e third of the total invested in venture cepital portfolios this yeer ogainst about half the total in 1983.

If the professional members of the markel are to satisfy both the demands from the companies they elreody have relationships with and to cope with new husinesses coming through, they will have to find an increasing number of institutions willing to fund later stage development capital. This is one of the reasons that the US managers are so keen to develop sources of capital outside of their domestic market.

In theory, at least tapping institutions and industrial corporations to act as co-investors with venture funds during second, or even third, stage financings should not be particularly onerous. Because investing in later expansion phases should be less risky than the original seed-corn capital, the more conservative investors should be willing to accept participation in these further cash raising exercises.

However, the market's young history shows that such sources can prove fickle and it is important for the venture capital sector to establish stronger lines of finance to back expanding companies, otherwise the demands created by existing investments alone could exceed the flow of funds to the market, leeving precious little for younger businesses.

However, an increase in stock market activity could provide the catalyst for e rejuvenation of the venture capital sector which would see worries about funds disappear over night. If institutional investors can once again see an ohvious exit route to turn their investments in unquoted companies into good profits and marketahle assets, then the whole sector could start humming as it did in 1983. And that underlines the first principal of the US venture capital market—it is highly cyclical.

Capital International Indices

	(Performance Jan 1-Oct 31 1985) % Change in index
World Index	24.5
EAFE (Europe, Australia, Far East) Index	40.8
Europe Index	54.8

National Equity Markets

(performance Jan 1-Oct 31 1985)

Country	% Change in index
Austria	109.9
Germany	97.2
Italy	92.8
Switzerland	66.0
Norway	60.0
Belgium	51.9
Denmark	47.0
UK	42.5
France	40.2
Hong Kong	38.3
Netherlands	37.5
Japan	32.2
Spain	30.7
Sweden	22.7
Australia	22.5
US	13.9
Canada	5.5
Mexico	−2.4
Singapore/Malaysia	−6.1

Change measured in terms of US dollars.

Europe dominates equity league

THIS HAS been the year of Europe as far as international equity managers have been concerned. The neglected Continental bourses have leaped to life as foreign money has poured in and has helped to push up prices dramatically.

The tiny Australian market —still capitalised at only $3bn —tops the table, but the more significant moves have been made by Germany and Italy. In contrast, the North American markets have been comparatively subdued and the Far East has been patchy.

For non-American investors the retnrns in the tahle are artificially inflated by the weakness of the dollar. In local currency terms the rise in the Austrian index is reduced to a still impressive 74 per eent, with Italy np 76 per cent and Germany 64 per cent.

The way in which international investors have heavily backed the swing to Europe is demonstraled by figures from WM Compnter Services, which tracks a universe of over 90 funds with an EAFE mandate (global hut excluding North America).

Five years ago such funds had twice as much invested in the Far East than in Europe, which accounted for only 24 per cent of their assets at that stage. Bnt there has been a long-term trend towards increased European exposure.

Switching was particularly active during 1984, when Japanese holdings were sharply cut. By June 1985 the funds had, in aggregate, 46 per cent of their assets in European equities against 40 per cent in Far East equities.

For funds with a global mandate the prohlems havo heen enhanced by the poor performance of the US equity market. Not only have the hroad US Indices declined in terms of many foreign currencies, hut it has proved hard for many fund managers to match the US indices because of the strong influence of takeovers, and speculation ohout takeovers, on the overall index movements.

Managers who concentrate on investment fundamentals have found that "good" companies have underperformed while the running has been made by "had" companies which have received takeover bids.

For global equity managers, 1985 has turned out lo be a year of great opportunity but also great risk. There is likely to be an exceptionally wide gap in performance terms between those who got it right and those who got it wrong.

Barry Riley

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 18 1985

EUROBONDS

New issue activity slows as thoughts turn to Christmas

THOUGHTS of Christmas are beginning to creep into the minds of Eurobond traders, writes Maggie Urry in London.

New issue activity has slowed in response to the market's problems. Most of last week's fixed-rate Eurodollar deals were trading outside their commissions by the weekend as the market fell in response to the news of Treasury auctions in the US Friday saw prices down by as much as ¾ of a point at one stage, although they recovered a little later.

"Its a tough market to bring new issues in," said one syndicate manager, "there's too much good paper out there with coupons that cannot be matched. And the swaps do not work." Another said: "The market has had enough, we're almost shutting down for the year."

Practically no new deals were launched in the latter part of last week and few are likely this week, at least until traders get an idea of how the auctions are going.

Paradoxically, there could be a better chance of deals being done if the market slips down than if it rises because the Eurobond market will lag behind New York, so making deals here look more attractive to borrowers.

The gloom is by no means confined to the dollar market. The Australian and New Zealand dollar sectors are in poor shape, although relieved that no more paper was loaded on to syndicate books last week.

The Canadian dollar market is also suffering. The domestic market enjoyed a fair rally this autumn which encouraged new issues. But the competitive pressures in the Eurodollar market have spread into Canadian dollars, and syndicate relationships are breaking down as houses fight for mandates.

Gaz Metropolitan's issue, for instance, was won away from the traditional lead manager, Wood Gundy, by Société Générale, usually the co-lead on Gaz deals, with a coupon that many regarded as too low.

There seems to be little buying of Canadian dollar paper by Eurobond investors at present, so bonds have to look for homes in Canada where they must compete with plenty of other new issues.

The bulldog market, where foreign borrowers tap the sterling domestic market, has made great strides in the last couple of years and margins over gilt-edged stocks have steadily narrowed.

Sweden, for instance, which has launched long-dated issues priced at spreads of 225 and the 135 basis points over the benchmark stock, last week borrowed at a margin of about 73 basis points. But some traders were asking whether Sweden could not have done slightly better but for its choice of a tender issue.

Borrowers have long suffered from the chance of the gilt market rising between the pricing of an issue on Wednesday afternoon and its offer for sale on Thursday morning. If they could price on Thursday morning they could get the benefit of any rise.

At the same time, investors have often seen their applications for stock heavily scaled down because of over-subscription.

A tender should eliminate those problems. But to make sure investors are interested in bidding the minimum tender price has to be set just a little lower than it would be for a normal issue. In Sweden's case the yield margin of 75 basis points over the gilt at the minimum price might have been set at 70 if the issue had been done in the traditional way.

As it turned out the market moved in just the wrong way at the critical time. Even so the issue went at a price above the minimum, although giving a margin more than the 70 some bankers believed the borrower deserves.

The Ecu sector is a rare bright spot in the Eurobond market and last week's issues, both with five-year lives, met good demand and were trading within their selling concessions. The fairly careful regulation of new issues in this market can prevent the excesses of other sectors.

Syndicate managers in the D-Mark bond market have yet to come to terms with their new-found freedom and the weight of new issues contributed to a one-point fall in the market over the week. Traders are still waiting to see what names are coming out during the rest of November.

Floaters as well as fixed-rate bonds have appeared in too great profusion, and the jumbo Malaysia deal last week met resistance. Part of the problem with this sector is that the issuing and trading activities are taking place in two locations, as trading floaters in Frankfurt is not economic.

Non-German co-managers are also becoming distinctly fed up with their German colleagues being given an extra 20 basis points, in Malaysia's case, as a listing fee profiding an extra cushion if the bond price falls. The deal was not profitable to the non-German participants.

The Swiss franc foreign bond market has improved by about ¼ to ½ a point as primary activity has slowed. On Friday Citicorp announced a SFr 50m seven-year private placement for European Investment Bank with a 5¾ per cent coupon and 99¾ issue price.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
US$	1,648.6	17.6	2,040.8	316.7
Prev	1,501.2	—	604.5	367.2
Other	204.8	—	272.2	59.5
Prev	779.8	—	12.1	381.4
Secondary Market				
US$	16,308.2	1,074.1	12,819.1	2,381.5
Prev	17,169.5	1,094.2	12,913.1	2,094.5
Other	5,192.6	98.2	1,004.3	1,918.6
Prev	5,154.5	88.9	1,709.7	2,292.7

	Cedel	Euroclear	Total
US$	10,608.6	25,926.7	36,585.3
Prev	10,889.2	24,955.5	35,844.7
Other	5,000.2	3,836.2	8,836.4
Prev	5,296.2	5,212.9	10,509.1

Week to November 14 1985 Source: AIBD

CREDITS AND EURONOTES

Portugal attempts to renegotiate loans

THE DEBT renegotiation wave which has seen increasing numbers of sovereign borrowers restructure their loans to achieve a lower servicing cost finally reached the westernmost shores of Europe last week, writes Peter Montagnon, Euromarkets Correspondent, in London.

Portugal is seeking improved terms on two loans arranged at the height of its economic crisis in 1983.

It has mandated Bank of Tokyo International, Chase Manhattan, Manufacturers Hanover and National Westminster to renegotiate the loans totalling $650m, both of which currently bear a margin over the expensive US prime rate.

Under the terms of the renegotiation this margin will be dropped and a new margin will be set at ⅝ of a point over London interbank offered rates (Libor).

The news caused predictable grumbling in the marketplace, where most banks dislike renegotiations as a matter of principle, but many also conceded that Portugal's vastly improved credit rating and changing market conditions made such a renegotiation inevitable.

The loans in question bear a margin of 50 and 45 basis points respectively over prime, steep in 1983 and unheard of today. Although the new Libor margin represents a cut of about half on previous levels, it is still regarded as generous, especially since the maturity of the loans has been left unchanged at 1990.

Repayments will also begin on schedule in 1987, which gives a short average life.

Portuguese officials say they do not plan a systematic refinancing exercise, partly because much of the country's older debt is already being paid off. But a couple of more recent credits, also bearing high margins, may be renegotiated as well.

The improvement in the country's economy – its current account balance of payments is expected to be in rough balance this year and liquid reserves are $1.7bn – means, however, that Portugal has reached the point where it no longer needs to rely on the syndicated credit market to meet its future borrowing needs.

Instead it will now start placing greater emphasis on the bond market.

Future borrowing needs are in any case likely to be small even though Portugal will again run a balance of payments deficit next year. The requirement is expected to amount to several hundred million dollars less than the gross $1.7bn which Portuguese public and private sector borrowers have raised so far this year.

In addition, EEC membership will provide Portugal with alternative sources of funds, for example from the European Investment Bank and through on-lending of funds raised by the EEC itself. This latter form of financing may total Ecu 300m next year, the first year of membership.

The realisation that Portugal no longer needs the syndicated loan market (except for smaller borrowings by some state sector entities) is significant because it means that even some of the lesser-rated credits for which the market still seemed suited are now drifting away.

Once again last week, business in both the syndicated loan and Euronote market was relatively quiet. An expetted mandate from Gaz de France has not yet materialised.

This week should see a $350m deal for the African Development Bank and Heron International has mandated Barclays Merchant Bank for a note-issuance facility on, as yet, undisclosed terms.

Romania's $150m credit has meanwhile proved fairly successful in syndication having taken nearly $30m from the market. Signing is expected to take place early in December in London.

Romania has not asked its bankers for any further loans and its borrowing needs for next year are expected to depend heavily on the severity of this year's winter.

However, some bankers believe that Romania, which has several projects in hand with the World Bank, should seek a co-financing deal if it does need money from commercial banks in 1986.

One other new credit which did emerge last week was unusual on two counts. It is a plain-vanilla deal with no frills and it is for a bank. The Bahaman subsidiary of Istituto Bancario San Paolo di Torino is raising $30m over five years at a margin of ⅛ of a point through Chemical Bank International.

THE FIRST issue for over a year on the Kuwaiti dinar bond market has been launched for Kuwait Real Estate Bank. The KD 10m deal has a 8¾ per cent coupon and a seven-year life. Issue price is par and the lead manager is National Bank of Kuwait. A syndicate of Kuwaiti banks will be formed and the bonds will be placed domestically.

The previous issue, made in October 1984, had a 10 per cent coupon, and the market has been rising since then in the absence of new paper.

Borrowers have had little need to raise funds. The National Bank of Kuwait said it was "confident that this issue will provide a welcome stimulus to activity in the dinar bond market."

Bonn and Tokyo hopeful on easing financial barriers

BY JOHN DAVIES IN FRANKFURT

JAPAN and West Germany appear to be making progress towards reducing the barriers to each other in their capital markets, although negotiations have some way to go.

Government officials from the two countries met in Bonn at the weekend in the latest in a series of consultations about financial matters.

One of West Germany's main concerns is to obtain the right for West German banks to take part in stock market and other capital market activities in Japan.

Some leading West German banks are anxious to step up their Japanese involvement as part of overall efforts to strengthen their international capital market operations.

After recent talks both sides expressed the hope that the outstanding questions could be settled "as soon as possible" in discussions between banks and the Japanese Finance Ministry.

Because it is seeking reciprocity, West Germany has withheld permission for Japanese securities houses to lead-manage D-Mark bonds for foreign borrowers – a right extended to other foreign financial institutions last May.

One of the main obstacles to this would be removed, however, if West German banks reached a satisfactory agreement with the Finance Ministry in Tokyo about access to Japan's markets.

The Japanese delegation to Bonn was led by Mr Tomomitsu Oba, a vice-minister at the ministry, who held similar talks earlier this year with UK Government officials.

The West German side was led by Mr Hans Tietmeyer, a senior Finance Ministry official, but the delegation also included representatives of the Bundesbank, the country's cental bank, and the Federal Banking Supervisory Office in West Berlin.

One of the problems that has complicated matters is that West German banks are "universal" banks carrying out a spectrum of financial activities,

BASF reorganises US units into one company

BASF, the West Germany chemicals group, is reorganising its US subsidiaries into one company in the wake of several US acquisitions this year, AP-DJ reports from Ludwigshafen.

The restructuring will place all the company's US subsidiaries under newly-formed BASF Corp, to be headed by Mr Jürgen F Strube, president of BASF America Corp. Mr Strube will be chairman and president of BASF Corp.

"The addition of new business areas and the rapidly changing, extraordinarily competitive market demanded an organisational structure that strengthens our role as a leading producer in the North American chemical industry," Mr Strube said.

BASF has been an aggressive acquisitor in the US and Europe this year as part of its plan to expand worldwide operations to capitalise on soaring earnings over the past two years.

Earlier this year BASF paid United Technologies $1bn for Inmont, a leading supplier of paint for the US motor vehicle industry and a manufacturer of printing inks.

It also bought three U S subsidiaries of Celanese, and American Enka, a U S unit of Akzo, the Dutch chemical company.

Under the restructuring, BASF Corp will take control of Badische of Williamsburg, Virginia; BASF Systems of Bedford, Massachusetts; and BASF Wynadotte of Parsippany, New Jersey.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Passage of debt ceiling bill prompts sell-off

THE TREASURY long bond yield flirted briefly with the magic 10 per cent level last Tuesday—a five-year low—then backed off under the weight of profit-taking and the upcoming flood of new paper from the Treasury.

By the close on Friday, most government bond prices were unchanged to ½ point lower on the week while short-term US money market interest rates continued their recent upward trend.

The most immediate reason for the sharp sell-off in the markets late in the week was the passage by Congress of a bill raising the debt ceiling by [illegible]—enough to keep the Federal Government funded until December 12 and avert the threatened Friday default on government obligations.

As President Reagan reluctantly signed the bill into law, the Treasury was busy announcing plans for the auction of $61bn of new paper beginning with $22bn in cash management bills sold on Friday. All told, the government market will be asked to absorb a massive $100bn between now and Thanksgiving.

This week the Treasury will auction $46.8bn in fresh money. Included in this week's flood will be the long-postponed quarterly refunding package consisting of $8.75bn of three-year notes tomorrow, followed by $9.5bn of two-year notes on Wednesday, $7bn of 10-year notes on Thursday and $6.75bn of 30-year Treasury long bonds on Friday.

Of course the markets had been expecting an avalanche of new paper once the debt ceiling was lifted—but the sheer volume of new supply was still shocking. Several other factors were probably also at work, first the markets traditionally trade down ahead of a refunding and then rally into it.

Second, and perhaps more importantly, the passage of the temporary debt ceiling extension without an allied deficit reduction package has again raised market concerns that Congress will now sink back into inaction on the pressing deficit problem. Indeed some market analysts suggest that the recent rally at the long end of the Treasury market—and the associated flattening of the yield curve—assumes passage of some form of deficit-cutting package like the Gramm-Rudman-Hollins balanced budget amendment.

A final, and equally intangible, reason for the late bond price sell-off was a new and subtle shift in market psychology caused by the failure of the Federal Reserve to cut the discount rate as some market participants had expected.

While the market generally expects the Fed to remain accommodative—a view apparently borne out by the recent low level of bank discount window borrowings—expectations of an imminent cut in the discount rate have receded somewhat. Accordingly the markets appear to have adopted a more cautious short-term interest rate outlook.

Indeed short-term rates rose again last week by between 10 and 30 basis points. As Salomon Brothers points out, in mid-week three-month T-bill rates, at 7.23 per cent, were 54 basis points higher than mid-summer lows while the yield on the Treasury long bond was 21 basis points lower than its mid-1985 low.

Nevertheless, many of the other fundamental reasons for the recent credit market rally—and a Fed easing at some point—remain in place.

Most importantly, as Dr Kaufman of Salomon Brothers, said, "The latest batch of economic statistics suggest a faltering economy."

The revised third-quarter real GNP statistics are due out on Thursday and are expected to show little change from the previously reported 3.3 per cent gain. But many senior economists are already further scaling back their final quarter estimates.

In the wake of the weak batch of economic numbers released last week, Mr David Berson, a senior economist with Wharton Econometric Forecasting, predicted that real growth in the final quarter will slow to between 1.5 and 1.7 per cent.

Mr David Jones of Aubrey Lanston noted, "Last week's data would seem to suggest a downward revision in estimates of fourth-quarter real GNP growth to perhaps 2 to 2.5 per cent from earlier estimates of 2.5 to 3 per cent or higher."

Meanwhile, thanks to reassurances from Mr Paul Volcker, the Fed's chairman, the markets are, at least temporarily, paying less attention to the weekly M1 figure—which grew by a modest $200m last week—and are comforted by the performance of the broader aggregates.

Paul Taylor

U.S. MONEY MARKET RATES (%)

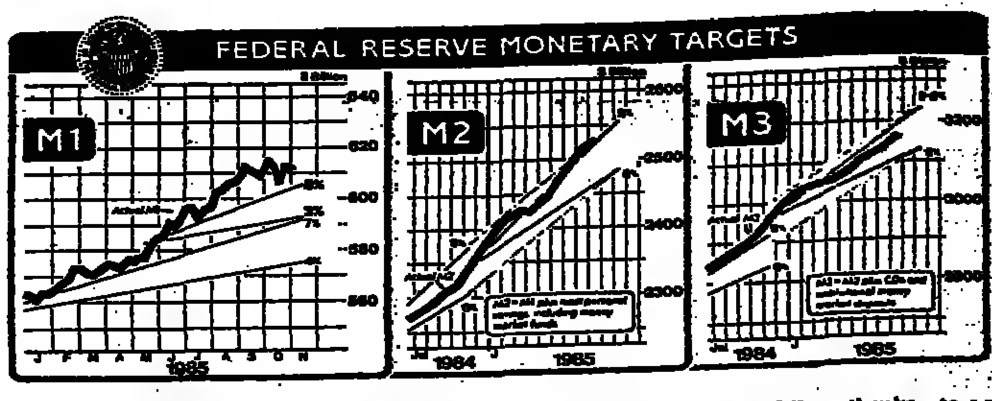
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six-month Treasury bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three-month prime CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90-day Commercial Paper	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30-year Treasury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New 10-year "A" Financial	N/A	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long utility	N/A	[illegible]	[illegible]	[illegible]	[illegible]
New "AA" Long industrial	N/A	[illegible]	[illegible]	[illegible]	[illegible]

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 4 M1 rose by $200m to [illegible]. In October M2 rose by [illegible] and M3 rose by [illegible].



UK GILTS

Schizophrenia over government policy

ALTHOUGH the gilt market lost about 1½ points at the long end during the week, it managed to take the Chancellor of the Exchequer's Autumn Statement fairly well in its stride. The thrust of the speech, with encouraging forecasts about growth and inflation and an increase in asset sales, was widely expected.

The market was left, however, still somewhat schizophrenic about Government policy. This year's abandonment of over-funding the public sector borrowing requirement means that, barring a grievous overshoot of spending targets, the supply of gilts will remain below that of recent years and should be easily absorbed.

Nor was there serious concern — despite some alarmist brokers' circulars — about the idea that the Government is taking a modest reflationary course in advance of the next election. Mr Lawson, in any case, produced tables to show that planned spending growth, with the effect of asset sales excluded, did not support the argument that reflation was under way.

What did make the market uneasy was its belief that the Government has adopted a more risky stance which stands or falls on the sterling exchange rate, and that Government spending and economic projections may be too optimistic.

Mr John Mullett, of L. Messel, summed up a widespread view of Government economic policies: "They may work, but there is a very real danger that they will not."

The chief risks to the market seen as resulting from the Government's strategy are:

● That sterling will fall, forcing a rise in short-term interest rates that would dampen optimism about the economy. It could fall as a result of declining oil prices or because of concern about rapid growth of sterling M3 money supply, for which the official target range has been suspended because distortions have pushed it far above the target range.

● That public spending, as it has done this year, will overshoot targets, or oil revenues will undershoot. Either would produce either higher than projected borrowing or reduced scope for tax cuts. Most economists believe £2½bn of tax cuts have been allowed for the Budget next March.

● That slippage from over-optimistic projections could erode the market's confidence in the Government. The 3¾ per cent inflation target for the fourth quarter of 1986 is seen as particularly vulnerable.

One thing that the gilt market could not look for in the near future was any significant cut in short-term interest rates. The official economic projections appeared to assume only a small reduction during 1986-87.

Though a cut in US discount rate could trigger a small fall in London, the virtual confirmation that there will be no substantial drop from 11½ per cent bank base rates seems likely to set a ceiling on the short-end of the market for the time being.

This need not affect the long end of the market, which could indeed be helped for the time being by rosy inflation prospects, low supplies, and the prospect that the Government will be re-elected. But the Government Broker, for the second week running, put paid to chances of a real rally when, to exhaust supplies, he cut the price of the 9¾ per cent 2005 tap to 93½ from the 95 at which it had been previously supplied.

This reaffirmed views that the Government wants to get a lot of funding out of the way, perhaps in advance of the Cable and Wireless offering expected next month.

Some people even believe the Government is now less concerned about gilt market levels, because equity sales will be accounting for so much of its funding, and because over-funding of the PSBR has been abandoned. Phillips & Drew, noting that the PSBR this year will be at its lowest as a proportion of GDP since the Government took office in 1979, warned: "The gilt-edged market can no longer expect the favoured treatment from the Government to which it has been accustomed since 1973."

Alexander Nicoll

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	106	+0⅞	10.59
AIOC 11 89	75	103⅝	0	9.69
AIOC 11⅞ 90	100	101¼	0	11.41
Amer Savings 12 89	125	103¼	+0¼	10.70
Amer Savings 12¾ 89	100	103⅞	+1⅛	10.81
Asian Dev Bk 11⅛ 93	100	106	−0⅛	10.00
Austraba 11¾ 90	100	107	+0¼	9.40
Australia 11⅛ 95	300	107½	−0¼	10.25
Australia 11⅝ 89	100	109½	0	10.26
Austria 15½ 88	75	111¾	−0⅛	9.63
Avco Fin 13⅝ 91	100	107⅝	0	11.43
Bk Nova Scotia 13⅛ 87	100	106⅝	−0⅛	8.39
Bank of Tokyo 12⅛ 92	100	107⅝	+0¼	10.69
Bank of Tokyo 13⅝ 91	100	113¼	−0⅛	10.36
Bank of Tokyo 13⅞ 89	100	112⅝	0	9.91
Bergen Bank 11⅛ 90	75	101¾	0	11.05
BP Capital 11⅛ 92	150	104½	+0⅛	10.09
Br Col Hydro 11⅞ 93	200	107⅝	+0⅛	10.28
Br Col Hydro 12⅞ 14	200	112⅜	+1⅛	11.36
Br Col Hydro 12½ 13	250	112	+0⅛	11.40
Britoil Fin 11⅝ 90	125	105	+0⅛	10.51
Caisse Nat En 11⅛ 95	125	107⅛	0	10.49
Canada 10⅞ 89	500	104⅝	−0⅛	9.11
Casio Computer 5⅞ 88	80	133¼	−6	−3.49
CBS Ins 11⅜ 92	100	103⅞	−0⅛	10.71
Centrust S & L 0 10	1bn	6⅞	+0⅛	11.67
Chesebrough 12 93	100	103	0	11.36
Chrysler Fin 13⅛ 89	150	107⅝	6	11.32
Citicorp O/S 10⅛ 90	100	101	−0⅛	10.05
Citicorp O/S 11⅛ 90	100	103⅜	−0⅛	10.71
Citicorp 11⅞ 92	100	104½	+0⅛	10.75
Citicorp 11⅞ 87	200	103	+6⅞	11.25
Citicorp O/S 14 94	100	103⅞	+0⅛	13.28
CNCA 11½ 92	125	104⅜	−0⅛	10.41
CNCA 13⅝ 91	100	111⅞	−0⅛	10.28
Coastlad Int 12⅛ 88	125	104½	+0⅛	10.17
Coca-Cola 11⅛ 88	100	106½	+0⅛	9.21
Comp Bancairo 13⅞ 90	75	111⅝	+0⅛	10.48
Comsat Int 12⅛ 91	100	104½	0	11.07
Creditanstalt 13⅝ 91	100	110⅝	+0⅛	10.48
Daiichi Kangyo 12⅛ 90	100	107⅞	−0⅛	10.22
Denmark 10⅞ 90	100	100⅞	+0⅛	10.59
Denmark 11⅛ 92	100	104⅞	+0⅛	10.39
Denmark 12⅛ 92	250	101⅜	−0⅛	12.33
Denmark 13 92	100	102½	−0⅛	12.37
Denmark 13⅛ 91	100	111⅝	0	10.48
Denmark 13⅞ 88	100	109⅝	+0⅛	8.62
Denmark 14 91	100	109⅝	−0⅛	11.56
Digital Equip 11⅛ 89	150	105⅛	+0⅛	9.74
Dutch St Mines 11⅛ 91	150	102⅞	+0⅛	10.61
Eksportfinans 11⅛ 92	100	104½	+0⅛	10.23
Eksportfinans 11⅛ 00	100	104⅜	−0⅛	10.23
Elec de France 11⅛ 93	100	104⅞	0	10.26
Elec de France 12⅛ 87	150	106⅞	−0⅛	9.19
EEC 11 87	350	102⅜	+0⅛	9.08
EEC 11⅛ 90	100	104⅜	+0⅛	9.71
EEC 12 93	100	108⅜	+0⅛	10.31
Elf-Aquitaine 10⅛ 88	100	101⅜	0	10.06
Ericsson L M 10⅞ 88	100	100⅜	0	10.07
Euro Inv Bk 11½ 90	200	106⅛	+0⅛	9.87
Euro Inv Bk 11⅛ 91	75	103⅛	0	10.69
Euro Inv Bk 12½ 90	100	109	−0⅛	9.86
EDC 9⅞ 88	200	101⅛	+0⅛	9.46
EDC 10 88	125	101⅜	−0⅛	9.33
EDC 10⅛ 88	100	102⅞	−0⅛	9.18
EDC 11⅛ 88	150	104⅛	0	9.51
EDC 12 88	100	107⅛	0	9.70
EDC 13⅛ 87	100	106⅞	0	8.07
Fed Dept Store 11 90	100	103⅛	+0⅛	9.84
Finland 11½ 88	100	104	−0⅛	9.36
Finland 12⅛ 94	75	109⅛	0	10.58
Finnish Export 12⅛ 87	75	105⅞	−0⅛	9.32
Firstfed Mich 1 13⅞ 89	125	106⅞	+0⅛	10.90
Florida Fed 12⅛ 88	100	104	+0⅛	10.88
FNMA 11⅛ 91	300	103⅞	−0⅛	10.76
Gen Elec Cred 0 96	600	36⅛	+1	9.85
Gen Elec Cred 9⅞ 91	100	100⅞	+0⅛	9.58
Gen Elec Cred 10⅛ 90	200	101⅞	0	10.14
Gen Elec Cred 11 91	100	104	−0⅛	9.96
Gen Elec Cred 11⅛ 87	200	103⅛	−0⅛	10.96
Gen Elec Cred 12 94	200	107⅛	+0⅛	10.71
Gen Foods Cap 11⅛ 90	75	104⅞	+0⅛	10.05
General Mills 12 91	100	105⅛	+1	10.68
GMAC 10 88	200	101⅞	−0⅛	9.32
Gen Motors Acc 10½ 90	200	102	−0⅛	8.87
Gen Motors Acc 11⅛ 90	100	104⅛	−0⅛	10.18
Gen Motors Acc 13 86	200	103⅛	+0½	6.74
GTE Finance 12 96	75	101⅛	0	11.67
Gulf Oil 10⅛ 94	100	99⅞	+0⅛	10.29
GZB 14 91	100	111⅛	+0⅛	11.04
Holl Air Fin 12⅛ 91	100	104⅞	−0⅛	11.16
Household Fin 11⅛ 92	100	103½	0	10.80
IBM 9⅞ 88	200	100⅛	−0⅛	9.58
IBM (WTC) 10⅞ 98	300	102⅞	+0⅛	10.94
IBM Credit 11 88	100	103⅛	−0⅛	9.90
IBM Credit 13⅞ 87	100	101⅞	0	13.45
IBM 12⅛ 92	200	108⅞	+0⅛	10.49
Ind Bk Japan 10⅛ 92	100	102⅞	0	10.22
Ind Bk Japan 10⅞ 95	100	102⅛	0	10.47
Ind Bk Japan 11⅛ 88	125	104⅛	−0⅛	8.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US DOLLAR STRAIGHTS (continued)	Issued	Price	Chg. on week	Yield
Banwa Bank 11⅞ 92	100	105⅛	+0⅛	10.36
Saskatchewan 10⅛ 92	100	103⅛	+0⅛	9.98
Saskatchewan 10⅛ 90	125	103⅛	+0⅛	9.62
Saskatchewan 11⅞ 89	100	106⅜	+0⅛	8.75
Saskatchewan 15 92	150	120⅜	−0⅛	10.55
Saskatchewan 16 89	125	110⅛	0	9.93
Scot Intl Fin 14⅛ 95	50	112⅜	0	12.02
Sears O/S Fin 0 98	600	27½	+0⅛	10.74
Sears Roebuck 10⅛ 91	150	103	0	9.77
Sears Roebuck 11⅛ 91	150	105⅝	+0⅛	9.88
Sec Pacific 12 92	100	107	+0⅛	10.40
Shearson/Amex 12⅛ 94	100	103⅞	−1	11.35
Shell (Canada) 14⅛ 92	125	112⅜	+0⅛	11.44
Signal Comps 11⅛ 92	125	104⅜	+0⅛	10.70
Standard Oil 10½ 88	150	101⅛	−0⅛	9.95
Statoil 12 88	100	105⅝	−0½	8.24
Sumitomo Corp 10⅞ 92	100	100⅞	0	10.87
Sumitomo Fin 11⅛ 92	150	105⅛	+0⅛	10.46
Sumitomo Fin 12⅛ 91	150	108⅝	−⅛	10.55
Sumitomo Trust 12⅛ 92	100	107½	+0⅛	10.76
Sweden 11⅛ 89	200	105⅛	+0⅛	9.71
Sweden 12⅛ 96	200	107	−0⅛	9.83
Swedish Export 10⅞ 88	100	102⅞	0	10.24
Swedish Export 11⅞ 88	100	104⅛	+0⅛	9.72
Swedish Export 12⅛ 88	100	0		
Taiyo Kobe 11⅛ 90	100	105⅛	0	10.27
Taiyo Kobe 12 90	100	106½	−0⅛	10.28
Tenneco Corp 11⅞ 89	150	104⅞	+0⅛	9.80
Texaco Capital 10⅛ 90	200	101⅞	−0⅛	10.20
Texaco Capital 10⅛ 93	200	101	−0⅛	10.31
Texaco Capital 13½ 89	200	100⅛	−0⅛	10.49
Texas Instru 11⅞ 91	150	104⅛	−0⅛	10.78
Tokai Asia 12⅛ 91	100	108⅛	+0⅛	10.06
Tokyo Electric 8½ 88	70	100½	0	6.31
Tokyo Elec Pr 13⅛ 89	100	108⅜	0	10.41
Toray Inds 11⅛ 92	60	101	+0⅛	10.87
Toronto-Dom 12⅛ 88	50	106⅛	+0⅛	10.32
UBS 12⅛ 91	100	106	0	10.72
Utd Tech 11⅞ 92	150	104½	0	10.30
Veba 5 93	70	179	−6	−1.23
West LB 11⅞ 90	100	105⅛	0	10.48
Westpac 12⅛ 92	41	108	+2	10.80
Weyerhaeuser 11⅛ 90	60	102⅜	+0⅛	10.89
World Bank 11 92	300	103⅞	+0⅛	10.11
World Bank 11⅛ 90	200	105⅛	+0⅛	9.75
World Bank 11⅛ 89	200	104⅛	0	9.60
World Bank 12 93	200	108⅛	+0½	10.30
World Bank 12⅛ 94	100	110⅛	+0⅞	10.38
World Bank 12⅞ 94	200	113	−0⅛	10.52
Yasuda Trust 12⅛ 88	100	105½	−0⅛	9.98

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100⅛	0	0⅛
Arab Bank Corp ⅛ 96	100	101⅛	+1⅛	8 11/16
Banco Lavoro ⅛ 91	100	100⅛	0	8⅞
Banco di Roma ⅛ 89	150	99⅞	0	7 11/16
Bnco di Roma ⅛ 92 CU	75	99⅛	0	10⅛
Bankers Tr NY ⅛ 94	200	100⅛	+0⅛	8⅛
Bank of Greece ⅛ 94	150	98⅛	−0⅛	8⅛
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅛
Bqe Nat Paris ⅛ 89	400	101⅛	−0⅛	8⅛
Bqe Nat Paris ⅛ 95	200	100⅛	+0⅛	3 11/16
Bqe Nat Paris ⅛ 96	250	100	0	0⅛
Barclays O/S ⅛†	600	100½	0	8⅛
BBL ⅛ 95	100	100⅛	0	8⅛
BBL ⅛ 99	100	100⅛	0	8⅞
BCI ⅛ 96	300	100	0	9⅞
BFCE ⅛ 89	500	100	0	8⅛
BFCE ⅛ 99	600	100⅛	0	8⅛
Belgium ⅛ 04	400	101	+0⅞	9⅛
CCCE ⅛ 05	200	100⅛	0	3⅛
CEPME ⅛ 98 £	100	100⅛	−0⅛	11⅞
Chase Manhattan ⅛ 09	400	100	0	8⅞
Chemical NY ⅛ 99	300	100½	+0⅛	7 15/16
Citicorp O/S ⅛ 91 £	100	99½	−0⅛	11⅞
Citicorp Pan Pan ⅛ 97	250	100⅛	0	5⅞
Commerzbank ⅛ 89	150	100⅛	−0⅛	8⅛
Creditanstalt ⅛ 90	150	100⅛	0	8⅛
Credit Comm ⅛ 95	100	100⅛	0	8⅛
Credit Foncier ⅛ 00 £	100	100⅛	0	11⅞
Credit Lyonnais ⅛ 96	200	100⅛	0	8⅛
Credit Lyonnais ⅛ 99	250	100½	0	8⅛
Credit National ⅛ 95 £	100	100⅛	0	11 11/16
Dai-Ichi Kangyo ⅛ 96	150	100⅛	+0⅛	8⅛
Denmark ⅛ 00	200	100	0	3⅛
Denmark 0 98	200	99⅞	−0⅛	8½
Denmark ⅛ 90	500	100⅛	0	8⅞
Eldorado Nuke 0 96	100	99⅞	0	8⅛
Elec de France ⅛ 96	400	101	+0⅛	8⅛
ENEL ⅛ 93 £	100	100½	0	11⅛
Exterior Int ⅛ 96	125	99⅞	0	7⅛
Ferro del Stat ⅛ 88	100	100⅛	0	8½
Ferro del Stat ⅛ 98	250	100⅛	0	8⅞
Fiat Finance ⅛ 94	100	100⅛	0	8⅛
First Chicago ⅛ 84	100	99⅞	+0⅞	9⅛
First Chicago ⅛ 87	190	99⅞	+0⅛	8⅛
Ford Motor Cr ⅛ 91	200	100½	0	9 15/16
GW O/S Fin ⅛ 94	100	99⅛	0	8⅛
Grindlays ⅛ 94	100	100⅛	0	8⅛
INI ⅛ 00	150	100⅛	0	8⅛
Interfirst Tex ⅛ 88	100	97⅞	0	8⅛
Ireland ⅛ 93 £	50	100⅛	0	12 15/16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Price	Chg. on week	Yield
Moet-Hennessey 7 99	50	128⅛	+0⅛	−0.63
Murata Mfg 3⅛ 00	100	111⅛	+0⅛	−3.71
Nippon Oil 3⅛ 99	50	89⅛	+3⅛	−0.16
Ono Pharm 3⅛ 95	60	92⅛	−2⅛	−4.51
Soc Gen Surv 4½ 94	61	138⅛	+1⅛	111.42
Sumitomo Corp 2⅞ 96	70	127⅛	−6⅛	−0.88
Texaco Capital 11⅛ 94	1bn	107½	+0⅛	36.34
Texaco Capital 11⅛ 94	500	108⅛	+0⅛	
Tsugami Corp 3⅛ 00	20	82	0	−2.34
Yamaichi Sec 3⅛ 95	20	153⅛	−2⅛	−1.83

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	16	100⅛	−0⅛	7.24
Avon Products 6⅞ 91	20	97⅛	−1	7.22
Denmark 6⅞ 92	20	97⅝	−1½	7.24
Dow Chemical 7 94	50	98⅛	−0⅛	7.04
EDF 6⅞ 95	20	98⅛	−1	7.08
Eurofima 7⅛ 94	10	100⅞	−0⅛	7.22
Eurofima 6⅞ 92	10	97⅝	−1⅛	7.30
FNMA 6⅞ 92	50	97⅛	−1⅛	7.38
GMAC 6½ 90	25	98½	−0⅛	6.91
Intel 6⅞ 92	13	96⅞	0	7.29
Int-Amer Dev 7½ 94	15	100⅞	−0⅞	7.38
Int-Amer Dev 7⅞ 93	15	101⅛	−0⅛	7.58
ITT 6⅞ 92	20	98⅛	−0⅛	7.12
McDonald Corp 6½ 92	25	98⅛	−0⅛	6.83
New Zealand 7⅛ 90	15	100⅛	−0⅛	7.03
New Zealand 7⅛ 88	15	102	−0⅛	7.00
Pacific Gas & El 7 94	20	99⅞	−0⅛	7.01
Penny J C 6⅞ 92	28	98⅛	−0⅛	7.12
Procter 6⅞ 92	25	99⅛	−0⅛	6.75
Sallie Mae 6⅞ 92	25	98⅛	−1⅛	7.31
TRW 7 94	15	98⅞	−0⅞	7.17
Utd Technology 6⅞ 92	25	98⅞	−0⅛	0.85
World Bank 7 94	20	99⅛	−1⅛	7.07
World Bank 7⅛ 93	20	102⅛	−0⅞	7.24
World Bank 8 93	20	104⅛	−1⅛	7.24

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 88	600	102⅞	0	6.87
Eurofima 10 94	600	104⅛	0	9.30
E Coal & Steel 10⅛ 94	1bn	105⅞	+0⅛	8.22
Euro Invest Bk 10⅛ 94	1bn	106	+0⅛	9.41
World Bank 10⅛ 96	1bn	104	0	8.86

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 88	200	105⅛	0	6.07
ABN 7⅛ 89	150	105⅛	0	8.11
Amro Bk 7⅛ 88	150	102⅞	0	6.42
Amro Bk 8 88	200	104⅛	0	6.48
Bk Mees & Hope 8⅛ 89	100	106	0	6.16
Beatrice Foods 8⅛ 88	100	106⅛	−0⅛	6.12
C C Rabo 8 89	150	105	+0⅛	6.31
Denmark 8⅛ 91	100	108⅛	+0⅛	6.65
Int Stand Elec 8½ 88	100	105⅛	+0⅛	6.46
New Zealand 8⅛ 88	100	106	+0⅛	6.35

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	60	108⅛	−0⅛	10.24
Aust Resources 11⅛ 92	50	103⅛	+0⅛	10.86
Bank of Tokyo 10⅞ 92	75	102⅞	−1⅛	10.37
Bqe l'Indosuez 14 91	75	111⅛	+0⅛	11.22
Br Col Munic 12⅛ 91	100	106⅞	+0⅛	10.37
Br Col Munic 13½ 91	100	110	0	10.98
Br Col Tele 12⅛ 89	70	104	−0⅛	11.62
Denmark 11⅛ 91	100	103	+0⅛	10.82
Farm Cred Corp 12⅛ 90	75	106½	−0⅛	10.46
Kredietbank 12 92	75	103	−0⅛	11.28
Long Term Cred 11⅛ 90	75	103⅛	−0⅛	10.56
Montreal City 12⅛ 91	50	106½	0	10.59
New Brunswick 12 95	75	106⅛	+0⅛	10.49
Nova Scotia 11⅛ 95	100	103⅛	+0⅛	10.94
Quebec Hydro 14 91	75	108	0	11.93

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	103⅛	+0⅛	8.79
Australia & NZ 10⅛ 91	50	104⅛	0	8.55
Austria 10⅛ 93	100	107⅛	0	9.12
BFCE 9⅞ 92	75	103⅛	0	9.03
Cred National 10⅛ 91	50	106½	0	9.28
Cred National 11⅛ 91	50	109⅞	+2	8.01
Denmark 10⅛ 91	75	107⅛	0	8.98
Ebco Intl 10⅞ 88	55	104⅛	+0⅛	9.22
EEC 10½ 91	60	105	+0⅛	9.25
EEC 11 93	50	106⅛	+0⅛	9.24
EEC 11⅛ 91	50	105⅞	−0⅛	9.80
EEC 11⅛ 93	70	106⅛	+0⅛	9.33
Euro Coal & Steel 8 94	60	118½	−0⅛	9.08
Euro Invest Bk 8⅛ 95	200	102	−1⅛	0.81
Euro Invest Bk 10⅛ 94	100	105	+0⅛	9.22
Euro Invest Bk 10⅛ 89	50	105⅞	+0⅛	8.58
Euro Invest Bk 10⅛ 94	100	107	+0⅛	9.36
Euro Invest Bk 11⅛ 92	75	108⅛	0	9.27
Euro Invest Bk 11⅛ 92	00	109⅛	+0⅛	9.45
Euro Invest Bk 11⅛ 96	50	111½	−0⅛	8.43
Gen Finance 11 90	70	107⅛	+1⅛	9.08
Giro Vienna 10½ 93	60	107⅛	−0⅛	8.99
GTE Finance 10⅛ 92	50	108⅛	+0⅛	9.02
Ireland 10⅛ 95	50	104½	+0⅛	9.54
Italian Govt 10⅛ 92	600	105⅛	0	8.37
Italian Treas 11⅛ 90	60	108⅛	+1⅛	9.24
Kreditbank L 0⅛ 92	75	101⅛	−0⅛	6.98
Megal Finance 11⅛ 84	100	107⅛	−0⅛	9.88
Nippon Cred Bk 11 91	90	106⅞	0	9.70
Nordic Inv B 94	60	117½	−0⅛	6.07
Post Och Kred 10⅛ 92	00	100⅛	+0⅛	9.74
Royal Bk Can 10½ 89	89	105	−0⅛	8.89
SNCI 10⅞ 94	60	107½	0	9.53
Swedish Export 11 88	58	103⅛	−0⅛	9.81
West LB 10⅞ 81	50	104⅛	+0⅛	9.68
World Bank 10⅛ 88	100	105⅛	0	8.58

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 88	40	91⅛	−0⅛	15.93
PIRA 12⅛ 89	50	95	−0⅛	14.28
State Bk NSW 12⅛ 88	40	94	−2⅛	14.55
Woolworths 14⅛ 88	25	97⅛	−0⅛	15.23

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	98⅛	−0⅛	11.03
Denmark 10⅛ 89	75	99½	0	10.89
EEC 11⅛ 94	60	101⅛	−0⅛	11.09
Europarst 11⅛ 92	50	100⅞	−0⅛	11.14
Euro Invest Bk 10⅛ 92	75	99⅞	−0⅛	10.98
Finland 11⅛ 88	50	102⅛	0	10.82
Grand Met Fin 10⅞ 90	50	98⅞	−0⅛	11.31
Int-Amer Dev 11⅛ 81	60	100⅛	−0⅛	11.19
Int Stand Elec 11⅛ 89	60	98⅛	0	11.19
Inv in Indust 11⅛ 91	50	102⅛	−0⅛	10.94
Ireland 11⅛ 94	50	101⅛	−0⅛	11.02
New Zealand 10⅛ 89	100	98½	−0⅛	11.12
SNCF 11⅛ 94	60	100	−0⅛	11.22
World Bank 10⅛ 89	100	99⅛	−0⅛	10.80
World Bank 10⅛ 89	89	98⅛	−0⅛	11.05
World Bank 11 94	96	99⅛	−0⅛	11.06

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	1	0	−32.02
Ciba-Geigy Int £	1/11/92	474½	−13⅛	227.79
Credit Suisse	31/5/88	60⅛	−0⅛	6.92
Deutsche Bank DM	19/6/91	121⅛	0	−33.65
ICI Finance	1/6/90	281⅛	0	194.53
IC Industries	16/6/88	26	+1	−17.38
Jusco	22/12/88	86	−1⅛	12.56
Minebea Co	20/2/89	62	+1⅛	60.11
Mitsubishi Cp	7/11/88	34⅛	−0⅛	20.96
Mitsui	10/12/87	28⅛	+0⅛	19.90
Nissho Iwai	1/2/89	1d	+0⅛	27.89
Nomura	31/10/88	71⅛	−2⅛	16.90
Siemens Wstn DM	31/5/90	340	0	−8.06
Swiss Bank Cpn	20/12/88	93⅞	−3⅞	17.19
Toray Ind	5/3/87	34	−4⅛	13.04
Veba Intnl	15/12/93	57	0	−0.72

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/88	36⅛	−6⅛	10.41
Coca-Cola 11⅛ 81	28/11/88	66⅛	+2	11.10
Commerzbk 13⅛ 81	17/7/88	105⅛	+1	18.99
Du Pont 13⅛ 89	25/8/88	87⅛	−1⅛	10.30
Eksportfinas 13⅛ 89	15/9/87	00⅛	−2⅛	10.28
Gen Elec 12⅛ 91	7/8/87	76⅛	−1⅛	10.85
Ind Bk Jpn 12⅞ 81	6/10/89	89⅛	−0⅛	10.73
Inv In Ind 10⅛ 91	1/12/88	85	−3	18.11
McDalds F 11⅛ 94	6/1/89	58½	+8	10.06
Oester Lnbk 13⅛ 89	8/8/87	81⅞	−6	10.68
Tenneco Cap 12⅛ 92	1/9/87	66⅛	−2	11.41
Tmto Dom 12⅛ 91	5/4/88	72⅛	+1⅛	10.78

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 15.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Euro-debt insurer gets a boost from GEC

FINANCIAL SECURITY Assurance, the first company set up specifically to insure corporate debt securities in the Euromarkets, got some welcome publicity last week by attracting as a founder shareholder GEC Finence, the venture capital subsidiary of the UK electrical giant.

It need a boost because debt insurance is not familiar outside the US, and some people in the Euromarkets even wonder whether it is necessary except in rather special situations. Mr Jim Lopp, the chairman, is however confident that Financial Security has been created at the right moment "just as European markets are opening up," and "securitisation" becomes the trend in banking.

Debt insurers guarantee repayment of both capital and interest on bonds issued by their clients. Like any other insurers, they collect a premium for their pains. By far the biggest market for this type of insurance is local authority paper in the US where about a third of the expected $125bn issued by municipalities this year will be insured, much of it by the Municipal Bond Insurance Association, also started by Mr Lopp.

The attraction for issuers is that insurance enhances their credit standing and lowers their borrowing costs. The premium for insurance should be less than the spread between a borrower's natural and enhanced credit standing, though this is not always the case because there are other advantages.

Financial Security guarantees to boost a borrower's standing to AAA, the highest credit rating, through a special arrangement with Standard & Poor's, one of the two leading rating agencies. However, it will only take on clients who are at least BBB, the minimum investment quality grade, and it requires additional security from them, usually in the form of pledged assets which might have to be increased during the term of the insurance if credit conditions change.

(Its own $235m capital has been put up by several leading banks and insurance companies around the world).

The average size of its financings will be $50 to $100m, though it will also handle deals as small as $10m.

Aside from lowering credit costs, (the difference between BBB and AAA yields can be well over 1 per cent), insurance offers tax advantages and enables borrowers to come to the market anonymously through front companies carrying Financial Security's guarantees. In some cases it will also open the merket to companies who might otherwise be shut out.

For the investor, the risk of default is eliminated, as is "event risk"—the danger thet the capital value of the securities will be affected by some occurrence which lowers the borrower's credit standing.

All this, however, supposes that credit quality is the prime consideration for access and standing in the markets. This is certainly the case in the US with its complex credit rating systems, but not in the Euromarkets where "name recognition" is all-important. Investors buy a company's paper if they know it rather than on its rating.

Because of this, some investment bankers were arguing last week that Euro-borrowers do not need guarantees. However Mr Lopp maintained that as increasing numbers of less familiar US companies begin to tap the Euromarkets, the demand for guarantees will grow.

"I expect the Euromarkets to become increasingly conscious of credit quality," he said. Mr Lopp also sees opportunities arising from the deregulation of domestic capital markets in Europe, as well as in non-corporate areas, like mortgage-backed securities and swaps.

Although Financial Security is purpose-built, other companies have tried debt insurance in the Euromarkets, notably Aetna Life and Casualty, the large US insurance company which has provided guarantees in at least four cases. These include Olympia and York, Rockefeller Group, and Thyssen-Bornemisza, all of which are secretive companies which were able to use the guarantees to tap the markets with minimal disclosure.

Samuel Montagu, the UK merchant bank formerly part-owned by Aetna, also arranged a $100m placement for an anonymous borrower last year who obtained a AAA rating, thanks to Aetna, even though nobody knew who it was.

Some bankers believe that these are typical of the special situations that are likely to provide Financial Security with most of its business, at least until the Euromarkets become more conscious of credit quality.

But Mr Lopp and his shareholders have great expectations. They are looking for a return on their investment of 33 per cent post-tax, counting on a low loss rate, the "up-front" benefits of premium payments, and the low operating costs of the company's staff of 35.

David Lascelles

Nine-month loss at Wheeling tops $200m

By Terry Dodsworth in New York

WHEELING - PITTSBURGH, the US steel company operating under Chapter 11 bankruptcy proceedings, lost $209m in the first nine months of this year as it absorbed the impact of the 98-day strike called to protest against wage cuts.

In the third quarter alone, the loss amounted to $133m, or $26.43 a share, compared to a loss of $9.9m, or $2.56 a share in the same period of last year.

Included in the third-quarter figures were non-recurring losses on investment reserves and write-downs on slow-moving inventories of $56m. Net sales amounted to $98m on shipments of 200,655 tons of steel, compared to $260m on shipments of 561,409 tons in the same period of last year.

The nine-month loss, the equivalent of $42.07 a share, included $84.6m, or $16.55 a share, of non-recurring losses and compared with a deficit of $9.5m, or $3.56 a share, in the same period of 1984. Sales in the nine months fell 27 per cent to $585m, from $798m, while shipments dropped by 28 per cent to 1,288,000 tons.

Wheeling-Pittsburg, which has recently signed a new labour contract and resumed production, said that low sales volume, coupled with severe price discounting and continued high level of imports, would generate additional losses in the fourth quarter.

Fairchild Inds deeper in red

By Our New York Staff

FAIRCHILD INDUSTRIES, the Virginia-based aerospace group, plunged more deeply into the red in the third quarter under the impact of write-offs caused by its reduced role in the joint venture Saab-Scania turbo-prop aircraft.

Net losses for the quarter, after accounting for pre-tax charges of $102.3m, amounted to $77.6m, or $5.89 a share, compared to net earnings of $7.5m, or 32 cents a share.

For the first nine months of the year, Fairchild ran up a deficit of $171m, or $13.25 a share, against earnings of $23.4m, or $1.04 a share.

Recovery in profits at Suntory

By Yoko Shibata in Tokyo

SUNTORY, Japan's largest distiller, has reported a sharp recovery in profits following the downturn in its last fiscal year caused by the boom in inexpensive "Shochu" spirits made from potatoes or corn.

The company, which has a 70 per cent share of the domestic whisky market and is one of the largest unlisted Japanese concerns, boosted pre-tax profits by 47 per cent to Y7.23bn ($35.4m) in the six months to September 30, with net profits rising 27 per cent to Y2.8bn.

In June Suntory had reported its first fall in annual profits in 40 years, caused by a slump in whisky sales as consumers shifted to the cheaper spirits. But the company now says it has extricated itself from the problems this caused.

In the latest six months, sales rose 3 per cent to Y406.6bn, due chiefly to a 6 per cent rise in beer sales and a 17 per cent advance in health food revenues.

Rey sells 60% Omnibank stake

BY JOHN WICKS IN ZURICH

MR WERNER K. REY, the Swiss financier, is to sell a majority stake in his internationally-active Omnibank to Switzerland's 29 cantonal banks.

The sale, for about SFr 60m ($27.9m) involves an initial 60 per cent of the Zug-based bank's share capital. This is at present the main asset of the Rey subsidiary Omni-Holding.

Omnibank was set up earlier this year after Mr Rey bought Phibrobank, of Zug, from the New York group Phibro-Salomon. This was merged with the German private bank Hamburger Handelsbank, which he bought from Hoffman-la Rocha in 1983. Mr Rey subsequently increased Omnibank's capital from SFr 5m to the current SFr 80m.

Apart from its Swiss headquarters and German operations, Omnibank also runs a full branch in London. It is now intended to set up representative offices in New York and Hong Kong.

The reason for the sale of his controlling interest lies in the substantial business volumes which the cantonal banks will provide for Omnibank, Mr Rey said yesterday. This co-operation, and not the sale itself, would make the deal a profitable one for him, he added.

The new majority shareholders, which are controlled by the various cantons, will for their part gain a foreign dimension. Latest national bank figures show that only some 4.5 per cent of total cantonal bank assets are outside Switzerland.

The Omnibank transaction will also strengthen their commission activities. Like other Swiss banks, the cantonal institutes have recently been making efforts to expand their non-credit business.

Downturn at Singapore Land

By Chris Sherwell in Singapore

SINGAPORE LAND, one of the island state's premier property development companies, has suffered its first fall in net profits and in gross rental and investment income, for several years.

Results for the year to August show that the country's depressed property market has begun to take its toll on the company, and the directors have indicated that the picture will worsen in 1986.

After-tax operating profits, at S$21.27m (US$10.05m), were down by 23 per cent, and, if extraordinary items are taken into account, by 53 per cent, at S$23.5m.

Gross rental and other income fell by 11.7 per cent to S$89.7m, with investment income suffering more than rentals. The company's main rental income continues to come from Shell Tower, Clifford Centre and Shing Kwan House, all in Singapore's central business district.

Interest charges remain heavy at S$29.6m, up by S$1.4m on the previous year.

Italtel close to deal with Telettra

BY JAMES BUXTON IN ROME

ITALTEL, the telecommunications equipment subsidiary of the state-controlled Stet holding company, is understood to be close to reaching an agreement with Telettra, the telecommunications subsidiary of the Fiat group, which would lead to closer co-operation.

The plan is believed to have been approved by Italtel and Stet, but not yet by the Fiat board. Few details of the proposed arrangement and of its intentions have emerged.

It is believed, however, that both Stet, which is part of the IRI group, and Fiat would take 48 per cent stakes in a new company, with the remaining 4 per cent being held by a third party, possibly Mediobanca, the state-controlled Milan merchant bank.

Italtel is considerably bigger than Teletra, with sales of L1,022bn ($576m) in 1984. Its primary activity is making telecommunications switching equipment. Teletra specialises in telecommunication transmission systems and had sales of L403bn last year.

Contracts & Tenders

Educational

Company Notices

Company Notices

INT. CAPITAL MARKETS

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Betwest Properties ‡	200	1992	7	10⅛	100⅛	Salomon Brothers	10.224
Mount Isa Finance ‡	100	1995	10	11	100	CSFB	11.000
Sumitomo Rlty & Dev. ¶	100	1990	5	(5¾)	100	Daiwa Europe	*
Toshiba Corp. ‡	100	1995	10	10⅜	101¼	Nomura Int.	10.170
Den Danske Provinsbk (e)†‡	80	2000	15	⅛	100	S. G. Warburg	—
Nippon Credit Bank (b)†‡	100	1995	10	½	100	Morgan Guaranty	—
Hyundai Eng. & Con. (d)†‡	100	1997	12	¼	100	LTCB (Asia)	—
Empire of America (a)†‡	125	1995	10	⅛	100	Salomon Brothers	—
SBC Fin. ¶	100	1992	7	5½	100	SBCI	5.500
BNP ϕ‡	100	1990	5	9⅝	100¼	BNP	9.560
SAS ‡	150	1995	10	10⅛	100	Morgan Guaranty	10.125
Rogalandsbanken (g)†‡	15	1995	10	⅛	100	Hambros Bank	—
CANADIAN DOLLARS							
Gaz Metropolitain ‡	50	1995	10	10⅝	100¼	Société Générale	10.583
D-MARKS							
Belgium **‡	200	1992	7	6⅞	100	WestLB	6.875
Australia **‡	150	1990	5	6⅜	100	Deutsche Bank	6.375
Malaysia (c)†‡	1200	2005	20	10bp	100	CSFB-Effectenbank	—
Haindl Finance ‡	100	1997	11½	7	100	Deutsche Bank	7.000
Haindl Finance ‡	150	2000	15	0	36¼	Deutsche Bank	6.998
SWISS FRANCS							
Toyama Chemical **§‡	50	1991	—	2	100	Crédit Suisse	2.000
Sogo Co. **§‡	40	1991	—	2	100	UBS	2.000
Sogo Co. **¶‡	110	1990	—	2⅞	100	UBS	2.875
Nippon Kayaku Co. **¶	60	1990	—	(3)	100	Crédit Suisse	*
Sumitomo Rlty & Dev. **§	350	1991	—	2	100	Crédit Suisse	2.000
Mo Och Domsjo **‡	100	1992	—	5½	100	Crédit Suisse	5.500
Shikoku Elec. Power	180	1993/95	—	(5½)	*	UBS	*
Mita Industrial Co. **‡	30	1990	—	5½	100	Swiss Volksbank	5.500
Charter Medical Corp. ‡	85	1995	—	6	100	SodItic	6.000
Kuraray Co. **¶	50	1990	—	(3)	100	Crédit Suisse	*
Kuraray Co. **§	70	1991	—	(2)	100	Crédit Suisse	*
EIB *‡	50	1992	—	5¼	99½	Citicorp Bk (Switz)	5.337
ECUs							
Eutelsat ‡	50	1993	5	9	100½	Credit Lyonnais	8.981
Victoria Public Auth. ‡	75	1990	5	8⅞	100	Banque Paribas	8.875
STERLING							
Sweden ‡	100	2014	29	9¾	87⅛	Morgan Grenfell	11.246
N.V. Amev ‡	50	1993	7	11	100¼	Morgan Guaranty	10.947
New Zealand (f)†‡	100	1997	12	⅟₁₆	100	S.G. Warburg	—
FRENCH FRANCS							
Remy Martin ‡	250	1990	5	10⅞	100¼	CCF	10.808
LUXEMBOURG FRANCS							
FGH Mortgage Bank **	300	1988	3	9	(100)	Kredietbank Int.	*
DANISH KRONER							
Fin. for Danish Ind. ‡	300	1992	7	9⅝	100	Den Danske Bank	9.625
GUILDERS							
KNP **	75	1990	5	7	99¾	Pierson Heldring P.	7.061

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ϕ With bond warrants. § Dual currency. (a) ⅛ over 6m Limean. (b) ½ over 1m Libor, max coupon 12⅝. (c) 10bp over 3m Libor. (d) ¼ over 6m Libor first 4 yrs, then 5/16 next 4 yrs, ⅜ last 4 yrs. (e) ⅛ over 6m Libor. (f) 1/16 over 3m Libor. (g) ⅛ over 6m Libor.

Note: Yields are calculated on AIBD basis.

THE WEEK IN THE COURTS

Public order at the crossroads

FIFTY YEARS ago fascists and anti-fascists clashed in the streets of London. So serious were the disturbances that Parliament enacted the Public Order Act 1936 which prohibited the wearing of uniforms in connection with political organisations, and gave chief officers of police the power to control processions through the streets.

This week the Government will be publishing its Public Order Bill, the product of five years' study of law and disorder, but inevitably in the shadow of the riots of 1981 and the recent disorders in Handsworth, Brixton and Tottenham.

The public could be forgiven for thinking that the legislation is prompted by those recent events which are said to indicate clearly a breakdown in social order that has not been witnessed before in this country. Mr Norman Tebbit, chairman of the Conservative Party, in his Disraeli lecture last week attributed the breakdown to the onset of the "permissive" society, ushered in during the post-war years as a direct result of a pronounced falling off of moral standards. Mr Tebbit made a direct plea for the restoration of Victorian values that had supposedly sustained the social equilibrium of our forefathers.

Mr Tebbit's lament over discarded virtues is not new. All through the 1930s politicians and other commentators were saying much the same. Apart from the rise of the British Union of Fascists, with their ugly creed disgorging violence, there were the hooligan elements on the football stadium terraces.

The only difference then was that the crowds vented their spleen on the referees, since the rival supporters were absent, restricted by the comparative inability of people to travel to away games. Serious disorders arising from the industrial scene were no less evident than they were last year during the miners' strike. In October 1931 no fewer than 30 towns in England were visited by marauding mobs expressing their discontent about unemployment. Those were the days of the National Government and long dole queues.

The political lamentors of the 1930s likewise invoked Victorian values, and likewise they were selective about those values. There was no reference to the Chartists, or to the anarchy that reigned in 1869 when the gates of Hyde Park were torn down.

The simple fact is that what we are witnessing today is a repetition of our social history. Yet it seems to have a different perspective. Is there in reality a new and sharper form of disorder to which the police are responding with a different pattern of policing?

The police have certainly adapted themselves in a number of ways in dealing with modern riotous behaviour, to the point where there is talk of creating formally two-tier police forces, one that carries on the community policing approach, while the other assumes the more coercive function akin to a militaristic style of policing.

Undoubtedly the police are increasingly being equipped with modern tools—riot shields, plastic bullets and even water cannon, although the latter two have not yet been employed against rioters.

This hardening of technology has been accompanied by much better co-ordination of police forces. Mutual aid was in evidence during the miners' strike when the national reporting agency was actively assisting chief officers of police when they needed reinforcements from outside their area. Training of police officers in riot control tactics is another feature of contemporary policing.

Generally, the overall style and tactics of the police in relation to public disorder has a distinct modern look about it. While the police have managed to maintain their neutrality, there is a feeling that their response to the current scene may diminish their non-political role. Some commentators argue that the police inevitably have to be political, in the sense that they are the government's law enforcement agency. It is only against being politically partisan that the police must be ever watchful.

It is the fear of being dragged into the party political infighting that leads some people to reject the proposal in the Bill to give greater control to chief police officers to control marches and processions through the streets of our inner cities and to supervise demonstrations and meetings.

The safeguard against the unreasonable use of the extended powers to control public meetings and processions will be the specific power in the High Court to review the decisions of chief officers of police who ban or impose unreasonalbe conditions on marches and the like. Judicial review of such decisions by the police is not universally regarded as a suitable means of supervising essentially administrative decisions.

The Bill will sweep away much of tha archaism in the law. There will now be four imprisonable offences. In descending order they are riot, with a maximum penalty of 10 years; violent disorders, five years; affray, three years; and threatening behaviour, six months.

Controversy has already broken out over a new offence of disorderly conduct, which will carry only a monetary penalty. And there is to be a tightening up of the offence of incitement to racial hatred. In future, it will be enough for the prosecution to prove the accused's intent to incite. At present the defendant has to be shown to have done something likely to incite racial hatred, a requirement that has proved a stumbling block to successful prosecutions.

Public order lies at the crossroads of law and politics. From whichever end of the political spectrum one views the Government's Bill, much of it is little more than an updating of legislation needed in any modern industrialised democracy.

Other parts of the proposed legislation spill over into the realm of political debate, characterised by the politician's slogan, law and order. There is not one concept in that phrase, but two. Law is a matter for Parliament and the courts. We all, including the police, live under it. Order is maintained by the agencies of law enforcement acting within legal powers. Law, one hopes, sustains and produces order. But it may not necessarily.

A Public Order Bill can be judged for its worth by the ability of the enforcement agencies and the citizen to accept that it reflects the balance between individual rights and the public interest.

Justinian

Poor 'not much better off than in 1950'

BY ROBIN PAULEY

LOW-INCOME families on social security are hardly better off than those of 1950, according to researchers at York University.

The report, published today by the Low Pay Unit, shows that a family of five today would need a weekly income of £107 a week to maintain the 1950 subsistence level and £85 a week to maintain the 1899 level. Yet such a family could expect a maximum income of £90 a week plus an average £25 a week for housing, says the report.

The research is based on updating the criteria for subsistence which were so stringent they excluded any allowance for alcohol, tobacco or transport fares.

The report says its research refutes the Government's claim in the Green Paper on the future of social security that people on benefit have an income well above the level necessary for basic subsistence.

The Low Pay Unit is also critical of the Green Paper proposals to abolish family income supplement and replace it with a family credit scheme to top up the incomes of poor families with children.

The unit says that in the event of a pay rise a low-paid family could lose up to 76p in each extra pound through higher tax and national insurance payments and reduced family credit.

Those also claiming housing benefit could lose more than 90p in the pound of extra earnings as this benefit also tapers off. This is, by comparison, "well in excess of the 60p-in-the-pound top rate of income tax payable by the very richest."

Current marginal rates of tax in excess of 100 per cent on low-income earners would be eliminated under the proposals.

The family credit scheme would be administered by employers whereas the family income supplement is administered by the Department of Health and Social Security. The Low Pay Unit says this would discourage many from claiming because they would not want their employer or colleagues to know of their personal circumstances.

Low Pay Review 23, £1.30; Low Pay Unit, 9 Upper Berkeley Street, London W1.

INSURANCE

Optimistic outlook for reinsurance market

BY JOHN MOORE AND JOHN WICKS

AN IMPORTANT survey published by the Swiss Reinsurance group, one of the world's largest reinsurers, reveals the changing shape of the international professional risk-taking community.

According to the group's research the number of professional reinsurers is increasing rather than declining in spite of seven years of intense competition and a downward turn in the reinsurance cycle.

The study shows that the number of those engaged exclusively in the acceptance and insurance of other insurance groups' liabilities has almost doubled since the late 1960s, rising from 197 in 1968 to 376 this year.

This phenomenon, according to the study, has resulted primarily from the transfer of direct or primary market insurance companies transferring their reinsurance business to newly formed subsidiaries.

Apart from companies engaged exclusively in reinsurance, there are about 3,000 direct insurers engaged in reinsurance activities. Since the mid-1960s reinsurance premium growth has shown an average annual growth rate of 11.5 per cent, and non-life reinsurance premium by 1983 was running at $40bn (£28bn). Including life reinsurance premiums the reinsurance market's premium volume is reckoned to be running at $45bn.

In terms of market share, three groups dominate the world's reinsurance market. The Swiss Rinsurance group, in Switzerland, the Munich Re in Germany and the General Re in the US are estimated to book about a quarter of the world total premium income amongst the professional reinsurers. A further quarter of the premium volume is spread among just 12 other companies.

The Lloyd's insurance market in London would not be regarded as a professional reinsurer as its insurance activities are diversified and not exclusively confined to that market. Yet it is becoming an increasingly important reinsurance centre with about £2bn of its £5bn annual income accounted for by the assumption of other insurance groups' risks.

Direct and composite insurance companies are estimated to have a market share of about 40 per cent of the world's reinsurance premiums, which implies that the rest of the business is spread very thinly.

Industrial companies, seeking to reduce the cost of their insurance programmes, established their own "captive" insurance companies to insure the risks of the parent company. When these companies diversified into insuring risks outside their groups, usually in the form of reinsurance, they increased competitive conditions, put pressure on rates, and were left with large losses.

Worldwide, according to the Swiss Reinsurance group, underwriting losses were running by 1983 at 6.3 per cent of premiums in the US, 5.8 per cent in Germany and 3.7 per cent in Switzerland.

The study observes that premium volume actually fell from a record $42bn in 1981 in each of the two successive years, as the reinsurers reduced their exposures.

In London there is growing optimism that the latest renewal season—the time when insurance groups and their customers renew their policies—will see a sharp upturn in rates. In the last renewal season rates have risen by up to 200 per cent on some reinsurance arrangements, although the average rate rise has been between 10 and 55 per cent.

Big London reinsurers, such as the Mercantile and General, have shed lines of unprofitable business in an effort to improve their portfolios and stem the level of underwriting losses.

Yet with the return of a firmer market in reinsurance new impetus could be given to a further increase in the number of participants. Already there are signs that the captive movement may revive. Other professional reinsurers or other insurance interests may be attracted to a market which is enjoying an upturn, while among existing reinsurers there may be an attempt to win back market share by reducing rates.

The turnround in the reinsurance underwriting cycle could be short-lived.

BET makes twin-pronged attack on takeover targets

BY CHARLES BATCHELOR

BET, the diversified services group, launched a twin-pronged attack over the weekend on the two targets of its current takeover campaign.

It has made a £111m offer for SGB Group, Britain's largest scaffolding company, and a £6.8m bid for G. W. Sparrow, one of the big four crane hire companies. Both bids are hotly contested.

In the offer document detailing its three for four share offer for SGB, BET described its bid target as a company which had lost its way and which suffered from a poor trading record and a narrow profit base.

It claimed SGB had failed to halt a decline of 30 per cent in its share of the scaffolding market over the past six years and that SGB's efforts to diversify had been "poorly conceived and badly executed."

BET charged that SGB's dividend payments over the past five years had failed to match inflation, even if the proposed increase of 11 per cent for 1985 was taken into account. SGB announced this dividend increase in response to an earlier partial takeover bid from the West Country housebuilder C. H. Beazer.

Profits of SGB's UK scaffolding business had fallen 56 per cent over the past five years while the market had grown by 33 per cent.

BET is expected to make submissions to the Office of Fair Trading within the next few days. It will argue that the SGB bid, which it said would give the merged company about 17 per cent of the £550m UK scaffolding market, does not justify a Monopolies Commission review.

The number of VAT-registered scaffolding companies has risen from 600 to 1,300 in the past six years.

SGB responded to the BET offer document saying it confirmed BET's complete lack of understanding of SGB's current performance and prospects. SGB promised its detailed reply would contain a profit estimate for the year ended September 1985.

Turning to Sparrow, BET said the recent letter to shareholders from the chairman, Mr Alf Sparrow, had contained cartoons and cheap jibes but no new increased offer. BE Tsaid it information to justify an increased offer. BET said it expected to receive only a negligible level of acceptances by today's first closing date and it extended its offer to November 29.

It has offered a one for five share swap with a cash alternative worth 60p per Sparrow share.

Sterling Publishing coming to USM

Sterling Publishing, a company which specialises in producing annuals and handbooks funded entirely by advertisements, is coming to the unlisted securities market through a placing of 3m shares at 57p a share by Industrial Finance and Investment Corporation.

The group's main activity is publishing annuals on behalf of trade and professional bodies.

Nearly all the group's revenue comes from the sale of advertising space in its publications. A team of 110 self-employed agents sell the space, mainly by telephone.

The business was acquired by Sterling in 1977 when it was a smaller publisher of books, magazines and programmes, mainly for charities. Early attempts to transform the business brought losses of £185,000 and £52,000 in 1981 and 1982, but profits have since grown to £501,000 in the year to last March.

In July 1983 a management buy-out and refinancing put 50.01 per cent of the share capital in the hands of APAVC, an investment vehicle incorporated in Jersey and advised by Alan Patricof Associates, a leading UK venture capital company.

The remaining shares were divided between Mr Michael Summers, managing director, Mr Michael Preston, finance director, and Mr Jerry Moser, who resigned as a non-executive director last year.

The placing, which gives the company a market capitalisation of £7.98m at the placing price, will put 21.4 per cent of the enlarged capital in the hands of subscribers and reduce APAVC's holding to 40.8 per cent. Of the £1.71m to be raised, about £900,000 will go to shareholders and £790,000 will be new money for the company.

The group forecasts profits of £900,000 for the current year, putting the shares on a prospective p/e ratio of 13.4 after an estimated 41.3 per cent tax charge.

Difficult market conditions leave Bellway behind

DIFFICULT MARKET conditions in its northern area of operations has left Bellway, Newcastle-upon-Tyne based housebuilder, with lower pre-tax profits of £3.26m for the year ended July 1985, against £4.04m previously. At the halfway stage profits had slipped from £1.17m to £680,000.

In view of the effects of the miners' strike, high levels of unemployment, increased local authority rates and high interest rates, Mr Kenneth Bell, chairman, regards the result from the group's continuing activities as satisfactory, and is confident that the actions taken during the year have given Bellway strong foundations for future growth.

The directors are recommending an unchanged 4p final dividend, to maintain the total for the year at 7p net. Stated earnings per share are down from 14.9p to 11p.

The group's continuing activities achieved profits of £3.54m (£4.23m), which came from housebuilding and associated trading activities £3.03m (£3.99m), the sale of ground rents £373,000 (nil), and rental income of £138,000 (£240,000). The leisure boat trading activity, which increased its losses from £195,000 to £282,000, has been discontinued.

The policy of expanding in the south of England has been justified, the chairman states, with excellent results from Bellway (South East).

The new subsidiary, Bellwey (North London) has also successfully begun operations from its Harrow base serving the Home Counties north of the Thames. It has acquired and started development on several sites which will contribute to results for the first time in the current year, Mr Bell says.

In March the company acquired Falmouth Port and Shiprepair facilities jointly with A. & P. Appledore which is managing the repair facilities. Market conditions were difficult in shiprepair and continue to be so.

Group turnover for the year improved by 9 per cent to £52.75m (£48.47m).

Any offer is bound to be hotly contested by the Matthew Brown camp.

The tax charge of £1.35m (£1.45m) was reduced by £543,000 due to stock relief, and there was an extraordinary debit of £340,000 which is the estimeted cost of discontinuing the leisure boat activity, after tax relief, of £85,000.

Spectrum incurs £2.5m loss

LOSSES OF £2.5m were incurred by Spectrum Group at the pre-tax level in the year to June 30 1985, compared with profits of £1.83m. At the half-way stage the group, which distributes home computers, software and photographic equipment, saw its profits slide from £1.16m to £75,000.

The directors say that although major problems had been forseen and remedial action initiated, trading conditions deteriorated even more severely than anticipated.

The company, which joined the USM in June 1984, achieved a 37 per cent increase in turnover to £40.73m (£29.79m), but nearly all of this was achieved in the first half when turnover of £25.49m (£14.9m) was recorded.

The sales increase mainly related to turnover in new ventures started in 1984, as well as to steady growth in the existing photographic business which continued to make progress in the second half.

The group's computer divisions have suffered dramatically, the directors say, with a depleted dealer network and much lower sales. This has been aggravated by numerous insolvencies and liquidations, they add.

The rate of returned faulty home computer products, mentioned at the interim stage, continued unabated in the second half causing very large credits for disputed sales against a background of continually reducing retail prices and stock valuations.

Corrective action, outlined in the interim statement, has enabled the group to continue trading, but at substantially reduced margins. A radical organisation has now taken place, the directors say, and the company has discontinued or is disposing of its subsidiaries Micromend, State Soft, Spectrum Field Sports and Rock Soft. These activities failed to be profitable and do not fit into the revised strategy.

They add that costs have been reduced considerably, which should help to restore profits in the second half of the current year. Although trading is still not easy net margins for the first three months are slightly better than planned.

Exceptional charges of £1.58m (£354,000) relate to the large costs of an increased provision for bad and doubtful debts and stock depreciation, while an extraordinary debit of £596,000 (nil) relates to closure costs and losses from discontinued activities.

After a tax credit of £892,000 (debit £657,000) losses per 5p share were 14p (earnings 10p).

F.T. Share Information

The following securities have been added to the Share Information Services:

Just Rubber (Section: Industrials)
London Trust Warrants (Investment Trusts)
Radius (Electricals)

S & N set to revive bid

Scottish & Newcastle Breweries is expected to revive its bid terms for Matthew Brown, the regional brewer, early this week following clearance from the Monopolies Commission last Tuesday.

Executives of Morgan Grenfell who are advising S & N were busy in their offices yesterday but would not offer any comment on the possibility of a bid despite mounting speculation in the market.

However, the national brewer is believed to be preparing a bid worth around £130m. If the original terms—a 14 for 5 share swap plus 405p in cash—were used that would value Brown at 571p per share compared to last Friday's closing price of 538p. When S & N launched its original offer it was worth just £100m, but since then the brewer's price has increased from 128½p to 175p.

Any offer is bound to be hotly contested by the Matthew Brown camp, and a couple of large shareholders are understood to favour Brown's continued independence. Britannic Assurance with 9.5 per cent of Brown and Whitbread Investment Trust, which holds a further 9 per cent, have both spoken out against an S & N bid.

Mr Patrick Townsend, Brown's chairman and managing director, said last week in the wake of the Monopolies report that, "Our firmly held view is that the continued independence of Matthew Brown is in the best interests of its shareholders, employees and the public at large. The board will therefore act accordingly."

Airship changes emphasis

Airship Industries, which is UK-based but some 70 per cent owned by the Australian Bond Corporation, has reported a swing in emphasis away from sales and into joint operating partnerships.

Mr Alan Bond, the chairman, says in the annual report that the company has a full order book until the end of next year. "It is becoming clear that each of our airships—presently six are in the air—is a precious asset with substantial earning power in the hands of the owner. With this in mind, we are endeavouring to set up operating associations."

Currently Airship is both seeking and tying up join ventures in many parts of the world were customers offer cash, influence and introductions to potential customers. Such arrangements, Mr Bond says, are likely to interest group around the world as Airship is able to offer a high level of exclusivity and ongoing support.

The company, which made a small maiden profit of £53,000 pre-tax for the 15 months to June last, has since raised £5.6m through an underwritten placing at 25p. Mr Bond says the move into profits, although modest, signals the end of pure research and development and the beginning of "successful commercial activity."

Airship is preparing for a re-quotation on the USM, where its quote was cancelled last year when it ran into financial difficulties. Plans for a full listing in Australia are "well advanced."

SHARE STAKES

Changes in company share stakes announced over the past week include:

British and Commonwealth Shipping—Mr P. N. Buckley, director, sold 87,370 ordinary stock units.

Gerrard and National—M. E. T. Davies, director, sold 100,000 beneficial ordinary shares, reducing total holding to 137,999 shares (0.45 per cent).

Rex Williams Leisure—Stanley Leisure Organisation has purchased a further 150,000 ordinary making a total of 1,080,000 (12 per cent).

J. Rothschild Holdings—Messrs S. Kovacs, F. Mayer, R. Towbin and T. Unterberg disposed of their joint interest in 1m ordinary on October 3 at 100p per share.

Fleming Fledgling Investment Trust—in the share stakes column of November 11 it was incorrectly stated that Mr V. P. Fleming had acquired 150,000 shares. This should have read 15,000.

FINANCIAL TIMES STOCK INDICES

	Nov. 15	Nov. 14	Nov. 13	Nov. 12	Nov. 11	Nov. 8	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.02	82.63	83.33	83.65	83.97	83.29	84.67	78.02	127.4	49.18
Fixed Interest	88.59	88.72	88.61	88.69	89.06	89.10	90.38	82.17	150.4	50.53
Ordinary	1086.1	1081.1	1088.6	1074.8	1070.3	1082.6	1088.8	911.0	1088.6	49.4
Gold Mines	283.0	266.6	268.8	257.4	265.2	245.2	666.6	337.8	734.7	43.5
FT-Act All-Share	682.04	677.99	679.96	673.40	671.68	676.10	682.04	581.88	682.04	51.92
FT-SE100	1403.6	1381.7	1396.9	1381.8	1375.5	1379.0	1403.9	1206.1	1405.9	986.8

Over-the-Counter Market

Capitalisation £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,353	Ass. Brit. Ind. Ord.	128	−3	6.6	5.2	7.1	8.5
—	Ass. Brit. Ind. CULS	132	−5	10.0	7.5	—	—
3,415	Airsprung Group	59	—	6.4	10.8	8.6	12.6
1,125	Armitage & Rhodes	45	—	4.3	8.6	5.6	8.7
53,313	Bardon Hill	165	+1	4.0	2.4	21.0	21.8
2,808	Bray Technologies	51	−2	3.8	7.6	6.2	7.2
508	CCL Ordinary	145	−5	12.0	8.3	3.5	3.4
1,288	CCL 11pc Cnv. Pref.	103	—	15.7	15.2	—	—
7,439	Carborundum Ord.	124xd	−1	4.9	4.0	6.1	6.6
651	Carborundum 7.5% Pf.	93	—	10.7	11.5	—	—
4,333	Deborah Services	56	—	7.0	12.5	5.6	7.7
3,034	Frederick Parker	21	—	—	—	—	—
1,384	George Blair	75	−1	—	—	3.1	5.6
1,828	Ind. Precision Castings	45xd	—	3.0	6.8	11.6	9.9
14,738	Isis Group	185	—	15.0	8.1	14.2	21.3
6,728	Jackson Group	110xd	+3	6.6	6.0	7.4	7.4
38,827	James Burrough	280	+10	15.0	5.4	8.6	6.6
3,293	James Burrough 9pcPf.	95	—	12.9	16.8	—	—
7,618	John Howard & Co.	75xd	—	5.0	6.6	6.0	6.4
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
16,365	Minihouse Holding NV	570	—	6.8	1.2	24.6	23.7
766	Robert Jenkins	75	−1	—	—	6.7	21.4
1,260	Scruttons "A"	31	—	—	—	—	7.9
1,660	Torday & Carlisle	68	—	5.0	7.4	3.4	6.2
1,496	Trevian Holdings	330	+9	4.3	1.3	16.8	16.4
5,652	Unilock Holdings	36	—	2.1	5.6	6.6	9.6
15,511	Walter Alexander	121	+2	8.6	7.1	6.6	8.3
4,668	W. S. Yeates	200	—	17.4	8.7	6.7	6.8

S = Suspended.

Prices and details of services now available on Prestel, page 48146

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
96	F.P.	7/11	108	67	AMS Inds. 5p	106	...	bg1.28	5.0	1.7	17.2
—	F.P.	—	6	5	Bardsey Warrants	3		—	—	—	—
185	F.P.	1/11	256	202	Britoil 10p	215xd	+3	113.0	2.0	8.5	6.2
$1/71p	F.P.	—	69	68	China&Easts.Inv $0.50	69		—	—	—	—
—	F.P.	—	21	16	Do. Warrants	19	−2	—	—	—	—
§90	F.P.	5/11	193	96	‡Colorgen Inc. $0.01	107	+2	—	—	—	—
100	60	6/12	54	69	Cont'l. Assets Tst. 175p	53½	−½	—	—	—	—
485	F.P.	8/11	96	89	‡Cowells	60	...	bg9.5	2.6	4.1	12.2
160	F.P.	6/12	173	150	Davidson Pearce 10p	176	+1	bg2.6	5.7	2.1	12.6
65	F.P.	20/12	109	102	‡Ealing Electro. 5p	105		bg4.2	4.8	5.0	11.1
120	F.P.	18/11	110	106	Fairbriar 10p	102	−2	bg4.0	1.6	5.3	9.4
100	50	—	49½	49½	Gorman Sec. Inv. £1	49½		—	—	—	—
472	F.P.	29/11	75	68	‡Gibbon Lyons 10p	68		bd55.3	—	7.4	12.4
§67	F.P.	11/12	67	61½	‡Hampden Homs 10p	67		bg1.5	2.8	3.3	18.9
§94	F.P.	30/10	98	78	‡InfraRed $0.10	65		Q2.1bc	3.3	1.6	—
55	F.P.		54	52	INOCO 10p	54	+1	—	—	—	—
190	F.P.	—	206	169	Intl. City Hldgs.	189	−6	u9.0	2.2	6.9	7.8
114	F.P.	—	115	103	‡Magnolia Materials	105	−2	u2.8	3.1	3.9	9.6
§90	F.P.	—	97	91	‡Martin (Ronald) 10p	97	+1	bg3.27	2.9	4.6	11.2
§67	F.P.	22/11	72	66	‡Metsec 10p	68	...	bg2.4	—	5.2	11.5
§180	F.P.	26/10	167	155	‡Questel 10p	160		bg4.0	2.3	3.8	11.5
¶330	F.P.	1/11	476	343	St. Ive's 10p	468		bs8.0	2.2	2.4	18.1
§176	F.P.	26/11	199	175	‡Shandwick 2p	190	+10	u3.68	—	2.8	25.6
100	F.P.	22/11	100	67	Strata Invs.	90	+1	—	—	—	—
§118	F.P.	—	168	119	‡TMD Advertising 5p	125		ug1.65	6.3	1.9	22.3
¶120	F.P.	20/12	212	195	Underwoods 10p	196	+1	bg1.65	3.0	1.2	19.9
**	F.P.	—	65	16	Vantage Secs. Wrrnts.	24		—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
87.305	£30	—	56⅞	29⅝	Australia 8½% Ln. 2012	30⅛	−½
§91.443	£30	17/1	99⅝	97½	Bank of Greece 10¼% Ln. 2010	97¾	−¼
‖	Nil	—	3½pm	½pm	Biomechanics 8% Cnv. Uns. Ln. 1991	[illegible]pm	+2½
¶¶	F.P.	—	113	100	Bremner 10% Cnv. Uns. Ln. 1995	110	...
‖	F.P.	26/11	150	110	Brit. Benzol 13% Conv. Uns. Ln. 1995	150	+11
§96.459	£25	27/11	98½	25⅝	Brixton Est. 10¾% 1st. Mort. Deb. 2025	26½	−⅛
¶100	£10	—	11¾	11⅛	Chester Water 8% Red. Prf. 1992	11½	...
§96.524	£40	5/12	44¼	40¾	Est. & Gen. Inv. 11¼% 1st Mort. Deb. 2016	42¾	...
§97.617	£25	31/1	27¾	25¼	Evans of Leeds 11% 1st. Mort. Deb. 2025	25	−¼
§99.97	F.P.	29/11	101½	100	Hampton Tst. 11¼% 1st Mtg Deb 2025	100	...
86.603	£25	10/1	25½	24½	Haslemere 10⅜% 1st Mort. 2016	24½	...
88.465	£30	24/1	30⅛	29⅝	Intl. Bk. for Rec. & Dev. 8⅝% Ln. 2010	30⅛	−⅛
§99.899	£25	31/1	24¾	23⅞	Land Securities 10% Deb. 2025	23⅞	−¼
—	F.P.	—	99½	99¼	Nationwide 11½% Bds. 9/10/86	99¼	...
—	F.P.	—	100⅛	99¾	Do. 11¾% 17/11/86	100⅛	...
§98.43	£25	31/2	25⅝	24¼	Peachey Prop. 10½% 1st Mort. Deb. 2015	24¼	−¼
**	F.P.	22/11	119p	110p	Pittard 9½% Cum. Prf.	114p	...
§39.967	F.P.	19/4	40¾	39⅛	Safeway Deep Dis. Stepped Ln. 2011	39⅜	−⅛
¶87.25	£30	—	29½	29⅜	Sweden (Kingdom of) 9⅜% Ln. 2014	29½	...

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
55	F.P.	27/11	68	65	Brasway 10p	66	...
65	Nil	—	17pm	16pm	Comm. Bk. Wales	16pm	−1
60	F.P.	21/11	94	75	Crowther (J)	80	−3
DM450	Nil	—	495	435	Deutsche Bank DM50	435	−30
106	Nil	10/1	24pm	20pm	Fisher (Albert) 5p	20pm	...
100	F.P.	6/12	156	128	Garfunkels' Rest. 10p	132	...
20	Nil	—	4pm	1pm	‡Pavion Intl.	3pm	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
AE	Dec 13	Final 2.5
Akroyd and Smithers	Nov 20	Final 12.5
Allied Lyons	Nov 27	Interim 10.4
Argyll Group	Dec 4	Interim 2.1
*Associated Newspapers	Jan 9	Final 9.5
*Aust and NZ Bank	Nov 16	Final 15c
*Avon Rubber	Dec 4	Final 3
BET	Dec 20	Interim 2.75
BDC	Dec 6	Final 4.65
*BPB Inds	Nov 26	Interim 3.1
Baker Perkins	Dec 10	Interim 2.6
*Bass	Dec 5	Final 8.6
*Boots	Nov 21	Interim 2.2
Borthwick (T.)	Nov 29	Final 0.25
*Burton	Nov 21	Final 4.5
*Cable and Wireless	Nov 16	Interim 2.9
*Cape Inds	Dec 4	Interim due
Charter Cons	Dec 12	Interim 3.75
*Chloride	Dec 10	Interim due
Common Bros	Nov 14	Final nil
*Courtaulds	Nov 16	Interim 1.4
*Dawson International	Nov 26	Interim 2.8
Distillers	Dec 20	Interim 4.5
Dobson Park	Dec 10	Final 3.31
*English China Clays	Dec 12	Final 6
*Extel	Nov 21	Interim 1.5
Ferranti	Dec 6	Interim 0.12
French Kier	Nov 22	Interim 1.55
GEC	Dec 4	Interim 1.35
Granada	Dec 5	Final 4.1
Grand Metropolitan	Dec 20	Final 5.5
Greenall Whitley	Dec 10	Final 1.928
Greycoat	Dec 13	Interim 0.75
GUS	Dec 6	Interim 6.25
*Habitat Mothercare	Dec 5	Interim 2.4
*Hambros	Nov 26	Interim 20p
Hanson Trust	Dec 6	Final 3.25
Haslemere Estates	Dec 13	Interim 2.3
*Heath (C. E.)	Nov 19	Interim 6.0
Hunting Gibson	Dec 12	Interim 0.20
IC Gas	Dec 11	Interim 5.25
Intl Leisure	Dec 14	Interim 2.0
Intl Signal	Nov 14	Interim 1c
Kwik Save	Nov 15	Final 2.6
*LRC Intl	Nov 16	Interim 1.3
Lond Merchant Securities	Dec 13	Interim 0.7
*MEPC	Nov 27	Final 6.5
McCorquodale	Dec 11	Final 3.4
*Metal Box	Nov 18	Interim 6.1
*Meyer Intl	Dec 10	Interim 1.6
Norcros	Dec 10	Interim 2.6
*Nthn Foods	Dec 12	Interim 4.25
Peglar-Hattersley	Dec 5	Interim 5.25
*Pilkington Bros	Dec 12	Final 5.0
Polly Peck Ind	Dec 4	Final 2.5
*Powell Duffryn	Nov 21	Interim 5.0
RHM	Dec 4	Final 2.756
*Redland	Nov 18	Interim 2.2
*Rothmans Int	Nov 29	Interim 2.2
Royal Bank Scotland	Nov 29	Final 5.2
Scot & New Breweries	Dec 17	Interim 1.9
*600 Group	Nov 29	Interim 3.343
*Sketchley	Nov 16	Interim 4.3
Smith Bros	Dec 13	Interim 1.5
Stock Conversion	Dec 17	Interim 2.5
Tate and Lyle	Dec 12	Final 12.5
Trafalgar House	Dec 4	Final 5.3
*Unigate	Nov 27	Interim 3.0
Vaux Brews	Dec 13	Final 6.655
*Wedgwood	Nov 21	Interim 2.75
Westland	Dec 19	Final 5.25
*Whitbread	Nov 20	Interim 2.05
Wlvrhmptn and Dudley Brws	Dec 11	Final 5.05

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Associated British Engineering, CML Microsystems, Infrared Associates, Ivory and Sime, Metal Box, Sungei Besi Mines Malaysia, Volex.

Finals: Australia and New Zealand Banking, Bush Radio, Concentric, Diploma, Pineapple Dance Studios, Swindon Private Hospital, United Spring and Steel.

FUTURE DATES

Interims:

Carless Capel and Leonard ... †Nov 28
Dentend Brempling ... Dec 11
Redland ... Nov 28

Finals:

Tomkinsons ... Nov 29

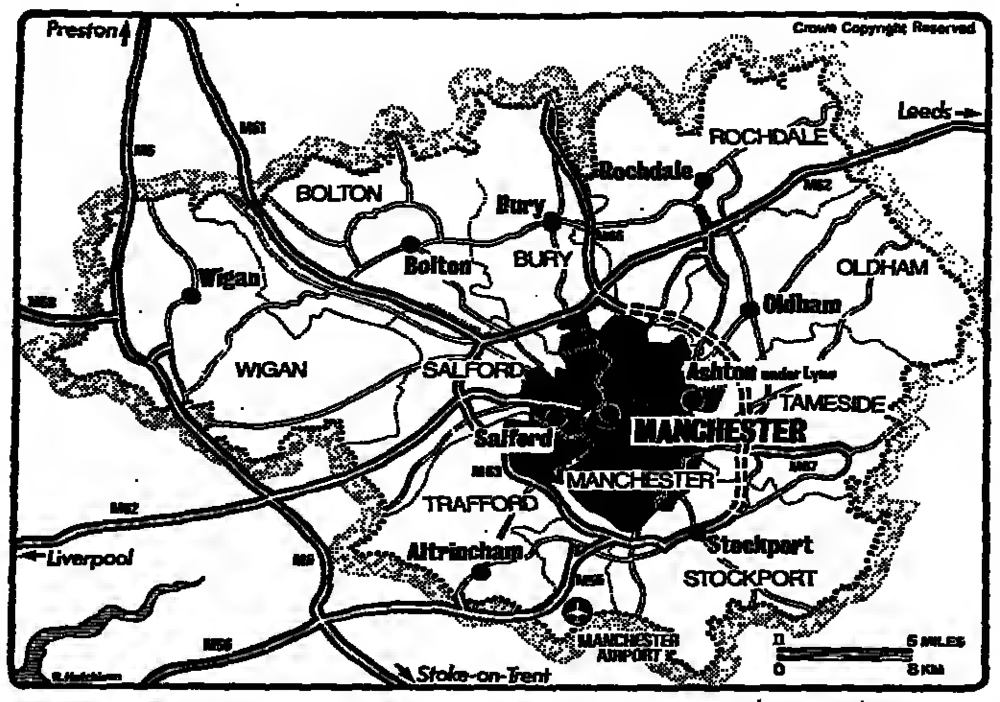
† Amended.

FINANCIAL TIMES SURVEY

Monday November 18 1985

Greater Manchester

From next April the county's ten districts face the task of regenerating the local economy on their own. The area has many strong assets but continuing weaknesses too.



Hugh Routledge

Peter Henry, commercial and industrial development officer for the City of Salford, by the new marina which is being developed in Salford Docks

Shadows over the future

By NICK GARNETT, Northern Correspondent

ONE THEME is dominant among politicians, planners and forward-looking businessmen who recognise the need to examino where Greater Manchester's future might lie. How can the conurhation's rich but grossly underused assets, bequeathed by generations of commercial growth and expanding wealth be harnessed to ward off the consequences of decline?

The failure to tackle this prohlem helps to make Greater Manchester one of Britain's most complex social and physical mixes. The county, which covers 500 sq miles and 2.5m people, demonstrates deep divisions between wealth and poverty. It has some of the country's hest infrastructure and some of its worst.

A few of Europe's largest and most impressive urban renewal schemes are underway alongside persistent forms of dereliction. The area is still an important prodncer of goods and services but its manufacturing base looks increasingly shakey.

The City of Manchester beats its chest, is the capital of the North but the conurbation has lost its self confidence. It has an unemployment rate of almost 16 per cent, that is 185,000 people.

Under use of assets runs across these issues. Greater Manchester encompasses what is probably Europe's largest educational precinct, a clutch of profitable manufacturing companies, a sizable financial centre and a "social infrastructure" of a dozen theatres, 14 professional soccer and rugby league clubs, countless nightclubs and restaurants.

Yet there is only a rudimentary linkage hetween manufacturing and its technology-orientated higher education institutions, management school and science park. Ideas are not being transformed into saleahle products fast enough. The county is also weighed down by the failure of local government reorganisation in the 1970s to address prohlems posed by 10 separate, and often parochially-minded, district and city authorities in what is almost a unitary urban area.

The prohlems and cultures of these districts differ. There are the Pennine towns of Rochdale, Oldham, Bury and Bolton; the rugby league stronghold of Wigan; and the inner cities of Salford and Manchester; the more affluent southern districts of Stockport and Trafford and the straggling artificial creation of Tameside.

The disappearance of Greater Manchester Council next year adds further uncertainties. The region as a whole (rather than just the City of Manchester alone) is a real physical entity and some of its difficulties need to be approached on that hasis.

A temporary co-ordinating structure is heing set np to examine how things should be continned after aholition. That will include a review of the small, under-funded and low-profile Greater Manchester Economic Development Corporation, set up hy the GMC as a separate company.

Some 80 per cent of the FT top 100 companies have significant offices or manufacturing sites in the conurhation and there are 100 US companies represented. In engineering and chemicals, food production and plastics a large number of hig companies continue to give Greater Manchester a substantial manufacturing role.

From Heinz, Kelloggs, Walls and United Biscuits through GEC, Colgate-Palmolive, British Aerospace, CIBA-Geigy and Mather and Platt into the high-tech production or office sitea of Ferranti, ICL and Hewlett Packard, the conurbation is still a significant contributor to the country's GDP. Many of these companies are solid and secure performers, grew up in the conurbation and will remain there.

Solid performers

Yet the fragility of Greater Manchester's manufacturing structure is continually exposed. In the four years to the beginning of this year, Greater Manchester lost well over 100,000 jobs, 10 per cent of its employment pool. Nearly 16,000 redundancies were notified last year.

The pace of plant closures has slowed hut in the past year the British Rail Engineering works at Horwich has virtually shut and Manchester Steel, the last basic metals plant in Manchester is closing. The numbers employed at many big sites like Heinz at Wigan and Shell Chemicals, Carrington, continnes to tumble. Last month's Ontlook survey among manufacturers hy the Manchester Chamber of Commerce was the bleakest for two years.

The Japanese companies Sharp and Brother have their UK headquarters in Greater Manchester but built their new video recorder and electronic typewriter plants in North Wales on the back of large financial assistance.

Greater Manchester is failing to generate enough small and medium businesses. The high-tech spin-off from the indigenous computer manufactnrers has been poor. Mr John Thynne, the department of trade and industry's regional director, says it appears to have one of the worst records in the country.

In spite of a track record of business success and manufacturing expertise, Mr Les Boardman, the Development Corporation's managing director, complains bitterly that attracting interest from institutional investors is a frequently unrewarding struggle.

Discrepancies in wealth are deepening. According to the latest New Earnings Survey, the average male wage in Greater Manchester is the highest of all metropolitan council areas after London but it has the highest proportion of male manual workers (12 per cent) earning less than £100 per week.

The north and east of the conurbation receive intermediate assistance which now covers the centre of Manchester. Wigan, with an unemployment rate of 22 per cent, is the only development area, but the southern districts receive no assistance—a mark of their relative affluence.

The Trafford Park and Salford enterprise zones are doing well. Bnt in large parts of the rest of the conurbation it is a much sadder picture. The 2½ mile helt of land termed east Manchester, once a significant manufacturing area has watched its unemployment rise from 5 to 25 per cent in four years.

In the inner city area of Hulme 67 per cent of men are unemployed. More than a half of the unemployed in the Manchester-Salford inner city partnership area have heen out of work for more than a year.

According to a Low Pay Unit report this year, 430,000 workers—more than 40 per cent of the working workforce in Greater Manchester—earn less than a "living wage" defined by the Council of Europe's "decency threshold." One in three young workers find first jobs in low-paid Wages Council service trades.

One of Western Europe's biggest city-centre renewal schemes is being cast in the Manchester Central Station redevolpment, which will encompass most of the land and buildings around it. A £100m project to bring life back to the near-defunct Salford Docks looks ready to move off the drawing board. Town centres are being smartened and enlivened.

Yet the county is scarred hy environmental decay. A quarter of its 1m houses lack hasic amenities. Manchester City alone estimates that repair and demolition work on its housing would cost £600m.

Some 20m sq ft of factory and mills larger than 20[illegible] lie ahandoned. The state of the Trafford Park Industrial Estate is so poor that at the prompting of a manufacturers' pressure gronp, the Government has announced a £100,000 stndy into how it can be improved.

Some 100 miles of motorways sweep through the county while Manchester International Airport is Britain's most important outside London, one of Europe's fastest growing and a crucial lever in drawing money through the conurbation. The outer motorway ring is due to he finished by the turn of the decade, with Rochdale and Salford in particular using the motorway network to build a distribution industry.

These positive advantages however, cannot conceal infrastructure deficiencies. There is no proper north-south through route, roads in the east and north Manchester are so had some lanes have been virtually abandoned hy cars. As with so many of the county's prohlems, more cash would make their impact much less severe.

CONTENTS

Engineering is the largest sector

Industry

TOM HEANEY

SPIRITS IN Greater Manchester's engineering industry may be given a muted uplift with redundancies falling to about half last year's figure. Improved recruitment means the two might come into balance.

"But every time we are tempted to get cocky, something goes wrong," says Mr Morris Burdon, regional engineering employers' director "Only a brave man would say we have seen the last of the shake-ups."

Engineering is the largest local manufacturing industry. Sectors like electrical, electronic and aeronautical face the future with optimism but others are struggling for survival. Some companies have been strengthened by acquisitions while new investments in others have been directed into expansion of operations.

Renold is recovering and business is good, with a factory about to come on stream in house a buoyant electronics division. The company is also moving into robotic equipment.

Fairey Engineering has widened its product base by acquisitions and is looking for more opportunities. It produces for military, offshore, nuclear and general process markets and has built sales from £17m to £60m in four years. Increased profitability has helped fund substantial investment.

Worldwide sales by Simon Engineering last year reached £520m and most of the 70 companies in the group are performing well. Recently completed contracts include equipment for an £11m Rank Hovis flour mill in Manchester. Work is in progress on a £56m Nigerian contract and there are hopes of involvement in petrochemical complexes in the Soviet Union.

There is little evidence of better order books for surviving sectors of the textile industry to generate significant increased demand for labour. But morale has been helped by a £10m investment in an integrated spinning and weaving mill at Rochdale, bringing prospects of up to 400 jobs.

Greater Manchester's substantial chemical industry has fared better than some other local business. Apart from Shell Chemicals, where the main operations have undergone major surgery, there has been a general stability which has encouraged investment—if only limited job creation.

Investment has contributed to confidence in parts of the county's food manufacturing industry which include Kellogg and CPC. This has been clouded only by the H J Heinz move to shed 1,200 jobs at Wigan and a CWS decision to close its Manchester biscuit factory with the loss of 420 jobs to concentrate production at Harlow.

But £5m will be invested by CWS in its glass container factory at Wigan.

Redundancies in Greater Manchester industry between 1981-1984 total 101,000—equal to one tenth of total employment. The rate of plant closure has slowed but job shedding continues and has yet to be matched by job creation. New jobs tend to be with small companies.

Greater Manchester has not been able to attract enough new industry to compensate for losses, and there is growing acceptance that investment by existing industry must play a key part in job generation.

Greater Manchester Economic Development Corporation believes that unemployment could be "reduced appreciably" if more was done to encourage established companies to expand locally rather than further afield.

For instance, Brother Industries and Sharp, Japanese electronic companies well rooted in Greater Manchester, chose to locate new manufacturing operations in North Wales. Brother had compiled a 40-point checklist of key factors before choosing Wrexham "not on the basis of any one factor, although grants were important."

But both companies have invested substantially in non-manufacturing expansion in Greater Manchester.

The county claims to have much to offer as a manufacturing base, in particular a disciplined and adaptable workforce experienced in the sector and with a good industrial relations record. Other factors include good communications, one of the fastest-growing international airports and close contacts with technology-biased universities.

In spite of the area's decline, it remains a major industrial centre with international as well as domestic investment, including many US companies.

Concern about North-west England's failure to attract high-technology industry led the Department of Trade and Industry to commission a study. This recommended a regional promotion organisation to concentrate on attracting investment rather than lobbying for support.

The suggestion has been followed but it has been a painful and acrimonious birth. Continuing political divisions in parts of the region threaten fragmentation and dilution of effort, undermining hopes of the region presenting a united marketing front.

Other recommendations included building a reputation as a centre of excellence in selected key high-technology sectors.

Mr Andrew Toon, North-west director of the CBI, says "Perceptions in the South-east are of a dynamic, healthy region. We in the North-west have gone on presenting ourselves as a downtrodden, down-market region so often holding out a begging bowl.

"We have to improve our image, because we have so many positive things to offer."

FERRANTI

Leader in use of high technology

CONCLUSIVE home-grown evidence in the shape of Ferranti is never far away when Greater Manchester needs to support a claim that it is a county with proven potential as a location for high technology industry. The international electrical and electronic engineering group was created in Greater Manchester, operates more than a dozen factories in the county, and has headquarters there.

The growth record of local Ferranti establishments is useful in adding firepower to the armoury of Greater Manchester's new industry seekers, even if today the two constituent companies, in defence systems and industrial electronics, contributing most to group business and profits both happen to be located in Scotland.

Greater Manchester can claim a substantial part in Ferranti's computer manufacturing operations and a locational monopoly in the UK in its electronics constituent, as well as sharing in instrument production and weapons equipment.

Almost 8,700 Greater Manchester jobs depend on the group, which is 12 per cent more than at this time last year, positioning Ferranti high in the table of local job generators. Investment continues in expanding capacity at a number of the group's Greater Manchester sites. Further job creation has been forecast.

Substantial defence contracts involving the Cheadle Heath division of Ferranti computer systems include a £24m contract for a new sonar for Royal Navy frigates.

Business in most sectors of group operations is said to be running around 15 per cent up on last year. The depressed semiconductor demand has not helped the Greater Manchester-based electronics activity after last year's very good performance, but business is reported to be still 15 per cent better than two years ago and Ferranti's continued investment in its Oldham area sites is seen as a reflection of its confidence in the future.

T. H.

ICL

Winner of the Queen's award

WHEN Prince Michael of Kent visited ICL in Manchester last month to present a Queen's Award for technological achievement, he made a personal request: how many mentions of the Kent family were there in the entire works of Shakespeare? The world's fastest information retrieval system linked to a new series 39 mainframe searched the lot and came up with the answer—in less than four seconds.

Through the major presence of ICL (it provides more than 2,000 jobs in the area), Greater Manchester can claim a showcase of advanced technology. The company's mainframe systems division, responsible for design and development of all ICL mainframes, has headquarters at West Gorton, Manchester, where a 1,000-plus staff includes a graduate standard ratio in excess of 70 per cent.

Half-a-dozen miles distant, all ICL's mainframes are assembled in a modern factory at Ashton-under-Lyne employing 600. Manchester City centre houses a further 450 at the northern region sales, marketing and customer services headquarters.

Whatever the current problems of parent group STC, ICL in Greater Manchester is entitled to think of itself as a healthy and profitable operation. Business is rated "very buoyant," the Ashton site is working at full production, employee relations are good, and acceptance of change and consequential need for retraining in an industry where technology makes rapid strides, is rated high. Sales of Greater Manchester mainframes and associated products probably contribute around 25 per cent of total group business.

This year's Queen's Award recognised the innovative contribution of ICL's Greater Manchester operations to the development of CAFS, which is capable of searching information at speeds up to 100 times faster than any other technique. The unit is the size of a shoebox and is incorporated in ICL's recently-introduced and acclaimed series 39 mainframes, again built in Greater Manchester.

T. H.

BRITISH AEROSPACE

Pride in launch of the ATP

GREATER Manchester's largest manufacturer in the field of advanced technology is looking ahead to the new year with optimism. For British Aerospace and the 6,000 workers at its Chadderton and Woodford factories, 1986 will see airborne the first new all-Manchester aircraft for 25 years.

Progress, hastened by a tight timetable, overtime urgency, and a sense of "tremendous enthusiasm," is such that the maiden flight of the ATP (advanced turboprop) has been brought forward by two months to early August 1986. The 64-68 passenger airliner, a local product from drawing board to roll out, is targeted at a regional airline market estimated to have world potential for sales of 1,100. BAe Manchester expects to build a market share of around 350, generating business worth nearly £2.5bn at £7m an aircraft into the next century.

Sales of the last all-Manchester aircraft, the ruggedly dependable 748 (still in production and selling, with a scramble for secondhand ones) so far total 377. It has seen service with 80 operators in 50 countries.

BAe Manchester did not expect to sell its first ATP before this December, but already has orders for seven. The aircraft promises not only to outsell the 748—its Manchester makers are confident it will—but to set new civil aviation standards for advanced technology, including fuel economy and operational quietness.

The Chadderton factory also builds the rear fuselage for the BAe 146 and wing spars and stringers for the European Airbus. At Woodford, work is just starting on a major programme to update RAF Buccaneer, but the Nimrod programme is reducing.

The main thrust of BAe Manchester in 1986 will be directed at getting the ATP into the air and selling it. Mr Charles Masefield, divisional director, has promised his workforce it will secure their jobs to the year 2000.

T. H.

Plans to turn a dreamscape into reality

Salford Docks

NICK GARNETT

A COLOUR brochure packed with artists' impressions of a dockside dreamscape of yachts, water basins, housing and promenades has been in circulation since April. The booklet—Salford Quays, the development plan for Salford docks—outlines a scheme so ambitious that it would transform a 225-acre spread of water and derelict land, a testament to industrial decline, into one of Greater Manchester's most prized developments.

At the start of the Manchester Ship Canal, Salford Docks, opened 91 years ago, became part of Britain's third biggest port system but now lie virtually moribund.

The development—drawn up by Salford City Council which is discussing with the Department of the Environment possible ways for financing it—would absorb £25m just to complete land clearance and road building. Housing and leisure developments could require another £75m.

But it might not be a pipe-dream. Dump trucks and JCBs are already flattening the site. The foundations for a 166-bedroom British Caledonian hotel have been laid. Thorn-EMI is having an eight screen multiplex cinema built near the head of the docks. Spencers, the housing developer is already on site.

"The development will mean that part of an inner city, the classic type of derelict land, will become a very pleasant place to work and live," Mr Peter Henry, Salford's commercial and industrial development officer says.

Linked to this scheme is the future of the upper reaches of the ship canal. The Ship Canal Company says it will close the 23-mile Runcorn to Manchester stretch made uneconomic by declining trade. A local authority steering committee is seeking aid from the Government to keep it open which would be an important fillip to the Salford docks scheme by allowing leisure boat activities along its length. Keeping it open requires continuous dredging.

Aside from the conversion of Manchester's Central Station and the city's industrial and air and space museums, the conurbation's other main regeneration scheme is that of Wigan Pier.

This £3m development opened this year. It includes the George Orwell public house, a "Living Exhibition" of Wigan in the former Trencherfield mill and walkways along the Leeds-Liverpool canal. A £26m town centre shopping development by North of England Development Associates has just been approved by Wigan council.

The county Council has also directed a programme to open up the conurbation's river valleys starting with the Tame, Medlock, Mersey and Croal-Irwell. Most of these are linked to country parks.

Yet, despite these renewal projects, Greater Manchester's severe environmental difficulties are not only real but are in view from almost every vantage point. The conurbation's factory stock includes 20m sq ft of vacant industrial premises larger than 20,000 sq ft, 70 per cent of it more than 25 years old, according to a joint study by Roger Tym and Partners at the beginning of 1984. Multistorey buildings then accounted for almost 40 per cent of floor space.

One third of Greater Manchester's 1m homes were built before 1919. A quarter of the total are classed as unsatisfactory because they lack basic amenities or are in a state of such disrepair they each require more than £2,500 of work.

In the City of Manchester alone, the council estimates that £600m is required to raise the council-owned housing to an acceptable standard.

The number of houses termed "unfit" has fallen steadily but those in the category "disrepair" have gradually risen as a percentage of the housing stock. In the past seven years the Government's housing capital allocation for the county'e districts has been halved in real terms.

Some developments, particularly the big Hulme development, one of Western Europe'e largest post-war housing projects, have turned out to be social disasters.

The surface of many of the conurbation'e roads have deteriorated very badly and the massed ranks of road diversion notices in some of the districts are the surface signs of subterranean collapses as sewer repairs cause management headaches.

As with almost every large urban area in the North, Greater Manchester needs far more than its available cash resources to rectify environmental difficulties bequeathed by a long industrial past and misconceived post-war social planning.

Manchester Central Station is probably Britain's largest city centre urban renewal scheme

Project will cost £21m

EXTENDED arms of cranes and the noise of dump trucks are the first signs motorists detect of what is probably Britain's largest city centre urban renewal scheme.

Manchester Central Station, the terminus of the London Midland and Scottish line to the capital's St Pancras Station until it was shut in 1968, is dne to reopen next spring as the conurbation's biggest exhibition centre.

The £21m development is the main but not the only project in e large renewal programme on the edge of Manchester's city centre. A £12.5m refurbishment of the now-closed 310-bedroom Midland Hotel will begin eoon for completion at Easter 1987. Alongside the central station, the massive structure of the Great Northern Railway warehouse and goods yard will then he tackled. Proposals are still under consideration for this part of the programme but they include plans for e swimming pool, offices and sbops.

Any doubt that the 108,000-sq-ft exhibition centre—a manageable three months behind schedule—would be able to compete in the exhibition industry seems to have disappeared. G-MEX, the company set up to manage the exhibition centre and which has given its name to it, has "sold" the centre to exhibition organisers for the next two years. That means 25 exhibitions next year and 27 in 1987 have already been arranged.

Greater Manchester Council purchased most of the whole development site at the end of the 1970s and persueded Commercial Union Properties, a subsidiary of Commercial Union Assurance, to join in a £200,000 study of Central Station in 1980.

The project was eventually agreed between 1981-82 with money deriving half from the public sector (including Salford-Manchester inner city partnership cash) and balf from the

Exhibition centre

NICK GARNETT

private sector. This private sector cash was made up of £7.3m bank loans and £3.5m Commercial Union subscription of the equity in a joint company to carry out the project.

Central Station Properties is the company set up as a vehicle for the partnership. Helf owned by Commercial Union and the other hy the Greater Manchester Property Trust—a guaranteed company set up GMC—it owns the development tand and controls the project.

A separate subsidiary, Midland Hotel Conference Centre, has been set up to bandle the Midland Hotel project. The botel was purchased by Central Station Properties from British Transport Hotels in 1983 and there is a one-third equal share held by Commercial Union, the property trust and Holiday Inns which will run the hotel.

The G-MEX centre is only a tenth of the size of the National Exhibition Centre near Birmingham. It is e striking building however, and has the benefit of being close to the city centre. The station building, constructed in 1880 was modelled on St Pancras though it is 100 ft shorter and 20 ft narrower.

"I am absolutely confident that it is going to look good," says Mr Malcolm Reece the project director. "This is the way to put a new use to an old building and combine that use with existing architecture."

Refurbishment and renewal work under the main contractor Alfred McAlpine has included the building of a glass foyer, installation of £6m under-floor electrical and heating plant and 3,900 parking spaces. The designers say smooth traffic flow bas heen ensured, though some of Manchester's commuters from the south of the city are sceptical.

The former train hall can be divided into a large and smaller area by a fibre glass "sail" raised from the floor. Apart from exhibition stands which have their own plug-in power points in the floor, the centre can be transformed into a sporting arena of 5,500 tiered eeats. G-MEX managers are hoping this will be extended to 8,300 seats for concerts.

Sporting and cultural events would have to be staged in the exhibition winter off-season.

Exhibitors will have to pay £45 a sq metre for space, with power costs on top of that. Fittingly, the first exhibition next year will be one for north-west businesses.

More links with trade and industry

Higher education

NICK GARNETT

A NEW mainframe computer and 60 terminals that will make Manchester Business School one of Europe's leading management teaching centres in information technology are being installed as part of a £2m grant from IBM.

At the University of Manchester, MBS's parent body, a joint management board has been set up with ICI in a £250,000 project to explore the industrial potential of liquid crystals. Nearby, the University of Manchester Institute of Science and Technology will benefit from a new grant from the Wolfson Foundation for the computer-aided engineering unit, part of the advanced manufacturing technology centre established by UMIST, the Machine Tool Industry Research Association and Salford University.

At Salford, the university has received £1.4m out of the Government's Engineering and Technology Programme to help support a planned information technology institute. These are indications of the way the powerful links between industry, trade and Manchester's higher educational institutions are continuing to develop and expand.

Within what is known as the Manchester education precinct, 30,000 full-time students are studying. The precinct incorporates the university, UMIST (which is technically the university's faculty of technology but is semi-autonomous and funded separately), the business school and the country's biggest polytechnic, as well as the Royal College of Music, a college of adult education and a teaching hospital.

This makes it possibly the largest educational site in Europe. The University of Manchester, with 11,000 students excluding the 4,000 at UMIST, is Britain's largest non-collegiate unitary university.

Less than two miles away Salford University, with just 3,000 students, has carved out a niche in the annals of Britain's higher education establishments by turning the most sweeping cuts in government funding suffered by any university into a success story of entrepreneurial flair, marketing and hard-nosed practical research.

The common strand that runs through Manchester University, UMIST, the business school and Salford is that science, industry and the methods of maximising profit through good management must be underpinned by academic research and teaching.

The links being forged between the institutions are becoming stronger. A grouping called the Manchester Partners is being set up by Manchester University, UMIST, the business school, Vuman (a marketing-orientated company set up by the university) and the Manchester science park to market expertise to industry.

The three areas of Manchester University and Salford are also coming together in a consortium to set up a joint agency for providing adult education and training.

Salford was hit by a 44 per cent cut in its grant in 1981 and has been contracting ever since. But the bitterness felt by most staff at what they saw as an unwarranted reduction in cash support detrimental to industry was combined with a determination to attract money from elsewhere.

Under its forthright vice-chancellor, Professor John Ashworth, "the academic plan" (as the blueprint for the university became known) has helped push non-University Grants Committee income from 16 per cent four years ago to 39 per cent now. Of its £9m non-Exchequer revenue last year, £3m came from research and contracts, £250,000 from consultancy, £2.8m from overseas students and self-financing courses.

Some £3m has also come from Salford University Industrial Centre, a limited company set up in 1969 to specialise in collaborative deals with private companies seeking technical and development skills. It has set up a subsidiary, Salford Civil Engineering.

Salford has pioneered "teaching companies" which are collaborations between academics, technicians and private company engineers. As a mark of the assistance Salford gave on computer-aided design and manufacturing to Arden Dies, Prof Ashworth was asked this year to open the company's factory at Marple, Cheshire.

The university's profile to the outside world is shaped and promoted by CAMPUS, a separate marketing arm of the university but outside its management structure.

Manchester Business School is one of the top two or three business schools in Britain, with more than 200 permanent staff and more than 2,000 part-time or full-time students.

British Rail, the Co-op and Greenall Whitley are among companies which use the Executive Development Centre, which offers general, and tailor-made courses for companies. Managers from big UK and overseas banks are also trained at the business school.

UMIST, with 450 academic staff, attracts £10m external funding a year. Mr Tim Yates, its communications director says it is committed to the problems of local industry.

Fourteen industrial units covering a range from medical engineering to CAD/CAM and chemical technology work for and with industry. The Corrosion Protection Unit, with a £1m turnover and 24 staff, is the world's biggest. UMIST's Instrumentation and Analytical Science Department is Britain's newest university department and UMIST has Britain's only department of paper science.

Developments have included an eight-company consortium to sponsor process integration research and the setting up of the Advanced Manufacturing Technology Centre in conjunction with Salford University and the Machine Tool Research Association.

Manchester University offers undergraduate courses across virtually the whole spectrum with the exceptions of veterinary and agricultural studies. It has western Europe's largest medical faculty.

The university secured some £10m last year from research. It claims to be the country's best university for computer sciences, rather fitting since the world's first stored-program computer was invented there in 1948 before developing into Ferranti's Atlas.

Mr Brian Warboys from ICL has been appointed to the first professional post for software engineering.

Greater Manchester 4

Forum sharpens the profile

Financial services

BARRY RILEY

A NEW spirit of enthusiasm in Manchester's financial services sector has crystallised in the formation of an independent professional association to promote the city's financial and professional resources.

The Manchester Financial and Professional Forum is designed to raise the profile of the "square half-mile" and to demonstrate that it offers businessmen an infrastructure second only to that of the City of London in the UK.

"Manchester probably does not project itself very well," says Mr Fraser Grant, the senior partner of chartered accountants Spicer and Pegler's Manchester office, who is spearheading the development of the MFPF. "Our primary objective is to advertise all that Manchester has to offer to the businessman."

Those involved are quick to insist that the initiative is being generated out of strength, not weakness. "We don't see Manchester as a depressed area," says Mr Stephen Moore, director of County Bank which is one of the most active merchant banks in the city.

One of Mr Grant's partners at Spicer and Pegler, Mr Bob Kitson, points out that new financial concerns are now coming into the city. "Manchester's professional services sector has never been as prosperous," he says. "We are not in any sense putting out a begging bowl."

The view is confirmed by non-Forum member Mr Peter Folkman, who runs the Manchester office of the small company finance group 3i. "There has been more buzz here in the past year or two," he says. "The volume of our business is running at well over double the rate it was two years ago."

After experience in 3i's offices in Reading, London and Sheffield he arrived in Manchester three years ago. His summing up: "It's a great place."

Mr Ian Bolton, financial director of the Greater Manchester Economic Development Corporation, believes that the city's financial services sector has "a number of very strong plusses."

He points to the city's long history as a centre of commercial activity, which has left it with a highly developed financial and professional infrastructure even though a number of the region's major industries have faded or died.

Some Mancunians admit that one reason for their city's relative prosperity is the sad decline of nearby Liverpool, which has removed a once potent rival as a professional centre.

More recently, Birmingham has fallen victim to the severe recession in West Midlands industry, and anyway is near enough to London for its financial services sector to be under greater pressure from the pull of the capital. This leaves Manchester a more or less clear opportunity to capitalise on its historical expertise.

Thus Allied Irish Banks has chosen Manchester as the location for one of its only two UK corporate business offices (the other is in Reading).

"Manchester is nicely placed in the middle for both Leeds and Liverpool," Mr Frank O'Donovan of Allied Irish, says. "It is a very vibrant financial area."

Certainly Manchester is well provided with British and foreign banks, including a number of merchant banks. But it may have suffered from the increasingly branch nature of its economy, with its major local banks such as Williams Deacons now long since swallowed up into national giants.

The one remaining bank with a head office in Manchester is the Co-operative Bank, which is a big local employer along with the other major financial services arm of the co-operative movement, the Co-operative Insurance Society.

Given the shortage of heavyweight Manchester-headquartered financial institutions, the professional firms—whose leading partners have a strong commitment to Manchester — are playing a big role in the establishment of the MFPF.

One of the Forum's steering committee, Mr Lionel Freedman of commercial solicitors Alexander Tatham, emphasises the strength of the local professional infrastructure. "The businessman in Manchester has been able, without leaving the area, to surround himself with the professional services which he needs," he says.

But there is feeling among the MFPF's sponsors that the message has not been properly put over, and that although various agencies have been heavily promoting aspects of the regional economy such as industry and tourism, the financial and professional services sector has been rather hiding its light under a bushel.

"What we are intending to do is to reinforce the efforts being made by others," Mr Grant says, emphasising that the MFPF is not planning expensive advertising campaigns as such. One idea is a series of major conferences related to appropriate professions; another is to encourage the Government to send its ministers and officials to Manchester more often, so as to help raise the city's profile.

Initially, the MFPF will be focusing on opportunities within the UK domestic scene, but it will begin looking at international aspects next year. By then, the Forum is expected to be considerably expanded, taking in representatives of domestic and international banks and insurance companies as well as accountants, solicitors, stockbrokers, surveyors and actuaries.

Members of the financial community in Manchester accept that the city will never be able to compete with London for the really big ticket business. But there is a feeling that more companies in the north make the trip to London for advice than is justified. "I don't think we make the right impact on our natural catchment area," is Mr Kitson's view.

Mr Moore of County Bank sees opportunity in the changing structure of industry, with declining giants being replaced by large numbers of emerging companies.

"It's those companies which are turning to Manchester," he suggests. "If we can get ourselves structured properly then they will continue to look to this city."

One structural gap which is often mentioned by Mancunian financiers is the lack of a properly developed local capital market. There used to be a thriving local stock market, but the stock exchange is now a national institution, and in the past 20 years or so much of the local vigour has declined.

However, a recent upturn in corporate business is reported by Mr David Hunter, chairman of Manchester stockbrokers Henry Cooke, Lumsden, which is one of the biggest regionally-based broking firms in England. Several USM flotations have been completed, or are in the pipeline.

His firm intends to remain independent and based in central Manchester, despite offers from conglomerates—although it might consider injections of capital in the shape of minority interests. After the restructuring of the Stock Exchange next year Henry Cooke, like other broking firms, will be able to act as broker-dealer and make markets in the shares of local companies, and this is under consideration.

But it is at the level of locally syndicated development capital that the most important moves now appear to be taking place. Already there has been some ad hoc syndication of deals between institutions like 3i, County Bank and the GMEDC, but there are unofficial proposals for a more formalised Manchester capital market.

Mr Bolton of GMEDC is convinced of the potential. "There is a very serious need for locally-based and locally-oriented investment funds which are capable of producing individual tranches of up to £250,000," he says. "I feel very strongly that it is something that is needed much more in the provinces."

With eight merchant banks, some 20 international banks and a dozen or so stockbroking firms, Manchester is well provided with resources to justify its claim to be England's second financial centre. The next year or two will show whether it can promote itself more effectively and enter a new phase of expansion in financial services.

Agency accepts change of flavour

GMEDC

TOM HEANEY

THE Greater Manchester Economic Development Corporation will outlive its parent, the metropolitan county authority, which ceases to exist next April. The corporation's survival has not been a party political issue even though it will no longer relate directly to a single county-wide strategic body but to 10 district councils.

The prospect is not unwelcome to Mr Leslie Boardman, GMEDC managing director since its inception.

"Having to talk to 10 constituents instead of one will not be a bad thing," he says. "It will help to change the flavour of the agency because the independence of each district will come into play and the result will be a more interesting package."

A £5m allocation from the GMC helped set up the corporation in 1979 as a company with public and private sector support at a time when a Conservative administration held power at County Hall. Six years later, with the GMC under Labour control, Mr Boardman emphasises that party politics play no part in the boardroom of GMEDC.

"We have a board committed to the resurgence and regeneration of Greater Manchester and we are here to stimulate enthusiasm, vigour and vitality in our county," he says.

All these qualities are needed. The challenge of producing industrial investment leading to job generation in 1985 with 15.8 per cent unemployment is more pressing than it was in 1979 when it stood at 5.7 per cent.

With a board drawn from public and private sectors, the GMEDC emphasises building bridges between the two. Its responsibilities include participation — direct or in partnership — in development and management of industrial property, attracting new investment and supporting businesses. The range of its activities has broadened to include industrial promotion and advisory services on behalf of the GMC.

Throughout its life it has swum against a powerful tide which has swept away thousands of manufacturing jobs. Its investment in development has totalled £7.2m, stimulating projected private sector investment of £25.1m.

This spans development (completed or under way) of 270 acres, including 97 acres of sales; 197,000 sq ft of small factories (142,000 sq ft sold); and 195,000 sq ft of refurbishment (50,000 sq ft sold).

Loans, investments and guarantees for 29 companies employing just over 2,100, involved a commitment of £1.4m with another £9m from banks and institutions.

The corporation has the largest land bank in the country, with some 250 acres available. It owns sites at Stockport, Trafford, Bolton and Wigan and controls properties at Tameside, Bolton and Bury/Salford.

One deal last year saw the sale of 33 acres at the South Lancashire Industrial Estate at Wigan, for development of 600,000 sq ft of factory and warehouse accommodation by a local paper products company, safeguarding 400 jobs and promising 200 more.

Activity levels are growing at Worknorth, a GMEDC subsidiary launched last year to operate a business funding scheme jointly with the GMC and the Co-operative Bank, which is based in Manchester.

Lending and investment within general limits of £10,000 to £100,000 is linked to job creation or maintenance. Worknorth is generating considerable interest, with the bank "now looking at a high volume of excellent propositions," it says.

The corporation has also been involved in defence of jobs, putting together packages designed to secure continuity and in takeovers.

In one £500,000 deal a specialist food processing company with 36 workers was sold to a buyer backed by 3i and GMEDC. Mr Peter Folkman, Manchester director of 3i, who has been involved with the corporation on several occasions, says it performs an effective job within its resources.

"The corporation has helped deals to be done," he says.

Greater Manchester Council can claim significant success in winning EEC funds, but a substantial part of this help is limited to the public sector. The difference between the council and GMEDC in relation to the EEC is clouding the future of schemes supporting 10,000 jobs through employment subsidies and training grants.

EEC contributions are matched pound by pound by the GMC, but according to Mr Boardman the county's 10 districts will be incapable of continuing to pay this once the county has been abolished.

Whether the districts will be prepared to subordinate self-interest remains to be seen. Councillor Brian Tetlow, leader of the minority Conservative group on the GMC, believes that doubts about achieving a high level of co-operation have been overplayed.

Lively growth throughout the area

King Street, Manchester, a business and shopping centre

Retail Property

TOM HEANEY

THE NATIONAL upsurge in the retail property sector has been widely, if not uniformly, reflected in Greater Manchester. In the city centre, a spirit of reviving optimism and rejuvenation visibly characterises the prime shopping zones, while in some of the most affluent satellite towns the scramble for strategic positions has reached a new intensity, with premium and rent levels reacting in response. New investment in retailing is currently being committed in a number of towns and is set to be translated into bricks and mortar.

The trouble with Manchester city centre, a critic complained not so long ago, was the existence of too many negative factors. "Now things are happening," says Stuart Dawson, who heads the shops unit of agent Dunlop Heywood. "The place looks good, feels good. Three years ago, endless numbers of units were available at nil premiums, but the general atmosphere's changed and there has been a resurgence of demand."

Civic thinking has come to terms with reality and that was helped prepare the way for the new mood. Manchester's shopping core was in decline and municipal policies, not least in their less than welcoming acceptance of the private motorist, were doing little to halt the drift.

"The local authority's new approach has helped tremendously," says Stuart Dawson. "The past two years have seen a positive policy of trying to get shoppers back by providing more car-parking, pedestrianisation, and by an awful lot of tidying up and brightening up. The aggressive marketing policy is paying off."

Market Street, the city centre's mainstream shopping area, has gained significantly. Rents, after stagnating for several years, are moving forward, with £50-£65 Zone A achieved in several recent transactions. "Significantly, more could be achieved if a unit came on the market on a new lease, according to Paul Nichols of Elliott Partnership, underlining that there is quite a lot of catching up to be done.

Overshadowing just about everything else in central Manchester, including Zone A levels, has been the huge bulk of the Arndale development, the largest covered shopping centre in Western Europe. A limited survey by Greater Manchester Council some time ago claimed that "only a handful" of people would admit to liking it. "Many more criticised it for being too big, ugly, claustrophobic, threatening, and difficult to find one's way around," the council reported.

The Arndale management has been actively working to win new friends and evidence suggests it is succeeding. A £3.5m programme of refurbishment is progressively achieving a section-by-section transformation of the vast interior, producing a brighter, friendlier, more imaginative, less overwhelming, and altogether more human scale within the limitations of a giant occupying 1.3m sq ft of floorspace.

Peter Ford, chairman of Arndale Shopping Centres (P & O Group), does not claim it has yet overcome all its problems but is enthusiastic and full of ideas for continuing to improve a centre, which, with 200 units, encompasses more shops than many an entire town, and can claim a customer flow of 750,000 a week. "We have done a tremendous amount of promotion in the past two years and for the first time are just starting to get premiums on re-lets. Values are firming whereas previously we were offering discounts," he says.

Meanwhile, Manchester's other prime shopping zones of King Street and the St Ann's Square area are wearing an even more upmarket look, a trend reflected in values. A premium of £55,000 was achieved at the end of a near-auction for a rack rented unit in King Street, "awkwardly shaped and in need of complete refitting." The status of King Street has been heightened with the arrival of several prestige national names in fashion and St Ann's Square's already high standing is set to get a further lift with the quality Gardens development by Royal Insurance.

Manchester is exceptional, as agent W. H. Robinson has noted, in that no other major city in the UK, with the exception of London, is surrounded by so many autonomous satellite towns of such strength. Some have grown at the expense of the city centre. Stockport is extremely buoyant with £55-£60 Zone A becoming established and with top positions in Merseyway "considerably more," according to agent Donaldsons, claiming that more than 100 multiples are anxious to locate there.

Nearby Altrincham, possibly the most affluent centre of all, is described by the same agent as "the star of the Manchester constellation." Elliott Partnership has recently negotiated £68 sq ft with Virgin Records for a unit in much-sought-after George Street.

Stockport could establish itself as the most dominant shopping centre of Greater Manchester's satellite towns, forecasts agent W. H. Robinson. This October it boosted its sales floorspace by more than 60,000 sq ft in one week with Asda and Sainsbury opening the doors of major new stores literally within sight of each other. Construction of a £6.8m Whitecraft Developments scheme close to Asda and Sainsbury is on target. The 43,000 sq ft project includes 19 shop units and the first pre-let was completed at the end of October.

Bolton, an attractive centre, has long held a leading position in the hierarchy of Greater Manchester shopping, ranking second to central Manchester itself. "It is the sort of town where people like to go to shop, rather than just a place to shop," says Mike Ousbey, an associate with Bernard Thorpe and Partners in Manchester. The distinction is important and explains why Bolton's appeal draws shoppers from a wide surrounding area.

The central area has seen no new retail development of significance for more than a decade, an interval which is about to be broken. The county planners' view is that a period of stability will need to follow to allow the centre to adjust to the impact of Grosvenor Developments' £30m Bark Street scheme, on which work is just starting.

It includes three major stores, the largest (100,000 sq ft) pre-let to Debenhams. Active marketing has yet to start in the case of the other two of 46,000 and 25,000 sq ft. Also included are 25 shop units ranging up to 5,500 sq ft. "Bolton is short of good-sized shops of the type sought particularly by fashion retailers. This scheme will help fill that gap," says Mike Ousbey. Completion is scheduled for spring, 1988, by which time rental levels of around £50-£60 Zone A are being suggested.

This month work is due to get under way on the largest central area retail development in the history of nearby Wigan. A partnership between the borough council, CIN Properties and Northern England Development Associates is behind the £26m Market Square scheme, which includes four stores totalling 8,300 sq m, 75 shops covering 12,000 sq m, together with a new market hall of just over 5,000 sq m. The project is scheduled for completion by the mid-1990s and the anchor store is to be occupied by Yorkshire superstore operator Morrisons and two others by Boots and Mothercare.

Pengap is the chosen developer for a £12m scheme which will add 150,000 sq ft of floorspace to the central area of Rochdale, making it the largest development since the building of the town centre shopping precinct of 200,000 sq ft in the mid-70s. It will include a major department store, two large units and 35 smaller standard units from 1,500 sq ft upwards. The scheme also includes a new central library. Projected completion date is around 1990, according to joint agents Elliott Partnership and Richard Ellis.

Buoyancy south of the city

Property

IAN HAMILTON-FAZEY

CLEAR PATTERNS have heen emerging in Greater Manchester's commercial and industrial property markets during the last few years that say much about the way industry and commerce is developing in the region.

Agents report renewed buoyancy in the past year, a claim reflected by some expansionary mergers and dramatic increases in staff recruitment. But part of their bullishness has been caused hy tha way government policy has distorted market forces in the industrial sector.

A positive trend in warehousing may therefore not last and over-supply may become the main feature of the whole industrial sector. Generally, the office and retail sectors remain strong in well-defined geographical pockets.

The 840-acre Salford-Trafford Enterprise Zone, which straddles the Manchester Ship Canal and where no rates are payable up to 1991, has created a dual market for industrial property. Mr Paul Simms of agents King & Co says: "Rents inside the zone are higher than in tha immediate periphery, absorbing 50 to 60 per cent of the rates benefit.

"About 60 per cent of the benefit is going to the landlord. Industrial rents are £2 to £3 per sq ft inside the zone and 40p to 50p lower outside it."

The main demand in the zone has been for modern warehousing at rents of £2 to £2.25 a sq ft (which with self-contained offices command £2.50 to £3.00 a sq ft).

This has accentuated over-supply of industrial property elsewhere, particularly for manufacturing. But Mr Leon Samrymper, of Swimer Leon Blasdale, warns: "We are now getting over-supply in the zone, which has done little to stimulate traditional industry.

"About 80 per cent of space is going to service-type users. It is true that the zones have created jobs, but they are jobs that would have been created elsewhere.

"They have transformed tracts of derelict land, so they have achieved something. Nevertheless, the Government should have concentrated on improving Urban Development Grant schemes."

In one example, a company which took 60,000 sq ft of space in the Trafford section of the zone chose this to expanding in Stockport. About 60 jobs were involved.

The letting market for industrial property, particularly for 25-year leases, is difficult and probably at its worst for assignments of existing leases. Demand is still good for smaller and start-up properties but there is a glot of these too. Greater Manchester planners say tha vacancy rate for nursery units increased from 56 to 61 per cent during 1984.

Nevertheless, good units in the 1,500 to 2,000 sq ft range are fetching £2.20 a sq ft outside the zone and £3 inside it, compared with £1.70 to £2.20 for bigger units and 75p to £1.50 for older ones.

Demand is strong in one industrial segment. Mr Robert Dunston of Dunlop Heywood says: "There is a buoyant market for purchase of second-hand buildings at between £4 and £10 per sq ft. It goes right across the board, from 1,000 to 50,000 sq ft.

"Design-and-build projects are also picking up." Clients tend to be companies which have survived the recession and are improving their asset base, possibly to borrow against later.

In the office sector, rents in Manchester city centre are established at £7 per sq ft and pushing £7.50 at Ship Canal House, which has undergone extensive remodelling.

Mr David Rose of the Elliott Partnership says: "Outside the city centre it is not easy and assignments are difficult." There is upward migration within the market as companies move to better premises but fewer takers for the older property they vacate, lesving a glut of these types of offices.

The exception to the city centre office trend has oeen Sunlight House, just outside the central area and therefore "off pitch" in agents' eyes. This was on offer at £4 a sq ft but demand soon added £1 to the rent.

Mr Peter Gallagher of Dunlop Heywood says: "In a fragmenting office market we have done well with Sunlight House, 80 per cent of which is let 18 months after it came on to the market as a refurbished building. Flexibility was a key factor: the 140,000 sq ft was broken up into many units ranging from 51,000 sq ft to 600 sq ft."

The other key was quality. According to Mr Rose: "At £5 a sq ft it is a bargain for someone who wants it to look as though they have paid £7."

Office prices continue to run ahead of the city centre in the suburban Cheshire town of Wilmslow, next to Manchester International Airport, the rail line to London and the motorway network.

Towns nearby are following suit. Mr Gallagher says: "Rents are already at £7.25 a sq ft in Wilmslow. If the buildings were there we would already be getting £7.75.

"Altrincham is enjoying a boom. Space that cost £4.50 to £5.00 a square foot has shot up to £6 overnight. Stockport will be next, then in 12 to 18 months it will be Sale.

"The City centre is hard but rewarding work, but out in the best areas of South Manchester we are having a ball."

Strong retail markets are growing even stronger in the suburban towns that comprise the rim of the conurbation, particularly in new shopping centres in places such as Bury.

Mr Rose says: "People are now looking for units 25 ft wide by 100 ft deep, while 20 years ago the size was 18 ft by 60 ft. Demand is outstripping supply for units of the right size of shop."

Zone A rents—the price of the important first 20 ft of depth—are running at £60 per square foot.

Property agents can hardly be expected not to paint an optimistic picture but none would be increasing their overheads if the market was not yielding funds. Swimer Leon Blasdale grew recently by merger and the Elliott Partnership, formed from three agencies last year, has already grown from 22 to 34 staff.

Meanwhile, Manchester's biggest agency, Dunlop Heywood, has grown to 95 people in the city and another half-dozen in London.

Cuts threaten wide range of activities

The Arts

LES KNOWLES

IN FEW places outside London do people demand organised entertainment as much nor have the means to satisfy it than in Greater Manchester.

Theatres and night spots, more than a dozen professional soccer, rugby league and rugby union clubs and the opportunity of eating in an Alpine-style restaurant on the Pennines or at the heart of the country's second largest Chinese quarter give it a vibrant and varied social life.

It can also be a flashy place, made for larger-than-life figures like Mr Ron Atkinson, Manchester United's manager, and Mr Bob Scott, the entertainments manager whose marketing aggression plays a key role in the success of the Palace Theatre and Opera House.

But the county also has a cultural depth rooted in the Halle and BBC Northern Symphony Orchestra, the Northern Ballet and a network of local and regionally important theatres.

Nor does Manchester have a monopoly of theatre, for both Bolton and Oldham have their own flourishing rep companies.

Manchester's Palace Theatre had a long and honourable career as a home of variety, musical comedy and pantomime before it was bought in 1978 by Norwest Holst, the engineering and construction company, for an independent charitable trust. Over the next three years the theatre underwent a £3m refurbishment which saw its reopening in March, 1981, as the major venue outside London for the country's leading opera, ballet and theatre companies.

The success of the Palace attracted attention far beyond Manchester and in March 1984, there was more excitement with the news that the Palace Theatre Trust had bought the nearby Opera House to house the long-running musical shows which clearly could not be accommodated for many weeks at the Palace.

After closing as a theatre, it endured five inglorious years as a bingo hall until a further injection of funds by Norwest Holst made possible its purchase from the Mecca group. The costs of refurbishment, £500,000, were met by loans from Manchester City Council and Greater Manchester Council, and the Opera House formally reopened on October 3 last year with Michael Crawford in Barnum.

Despite increasing financial problems — of which more later — the smaller Royal Exchange Theatre continues to draw audiences of over 80 per cent to its remarkable home in what was once the very centre of the Lancashire cotton trade.

The city-owned Library Theatre Company draws audiences from other parts of the county to its home in the city centre and to the Forum, its handsome Wythenshawe satellite. When the Forum opened in 1971 productions revolved between the two theatres; today they offer separate programmes.

The Contact Theatre Company, which replaced the 69 group in the University Theatre, was founded 13 years ago primarily to present productions for young people of both classics and modern plays.

Maintaining close liaison with teachers and youth workers, Contact does much work in schools and draws funds from GMC, Manchester University, the Arts Council and Manchester Education Committee.

In the refurbished Oldham Coliseum the new artistic director, John Retallack, recently gave the town its first professional production of Moliere with "Tartuffe." Breaking with tradition, the theatre is devoting Tuesday and Wednesday of each week to visiting shows which include the Danse de L'Afrique troupe and a production of Steven Berkoff's "Decadence."

Like Bolton's Octagon Theatre, which inhabits a handsome modern building in the town centre, Oldham Coliseum draws much of its audience from outside the town and relies substantially on GMC for finance; a situation which both share with other arts organisations great and small.

The Government's offer of £16m to replace the £34m being spent on the arts by the metropolitan counties means that Greater Manchester would receive about £900,000 compared with £1.84m for 1986-87.

The arts groups would have to look to the district councils for the other half. However, the former Arts Minister, Lord Gowrie, has estimated that the district councils would provide only 10.5 per cent: a mere £193,000 in Greater Manchester.

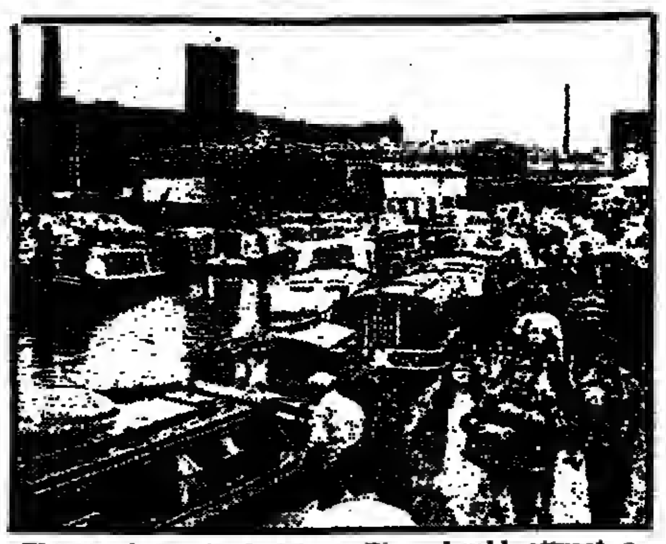
In a letter to Lord Gowrie's successor, Mr Richard Luce, North West Arts and 10 other arts organisations have warned that such a shortfall could have a number of dire consequences.

In its latest annual report the Halle Committee, reporting an accumulated deficit of £150,000, gave warning of the still bleaker days to come and declared with true northern grit: "The future success of the orchestra will depend more than ever on self-help"—in the form of fund-raising and sponsorship.

The Northern Ballet, though much younger, has also been taken to the public's heart. It regularly draws capacity audiences to the Palace with its productions, of which "The Nutcracker" has won particular acclaim.

With the clouds looming so darkly over the future, to open a new contemporary arts centre in the very heart of Manchester must seem an act either of great courage or great folly. Yet the Cornerhouse, opened only last month at a cost of £1.25m, has regularly welcomed 700-1,000 visitors a day to its exhibition of drawing, painting, sculpture and photography.

Inside and outside the city Greater Manchester is especially rich in museums: here there is space to mention only the new and exciting developments centred on the Liverpool Road area. In the Castlefield Heritage Park, the first of its kind in Britain, the discovery of Manchester's Roman past continues. Nearby the Air and Space Museum and the Museum of Science and Industry continue to draw large numbers of young visitors.



The newly revived Wigan Pier should attract a stream of visitors

Room for urban growth

SPENDING BY business and leisure "tourists" staying overnight in Greater Manchester was close to £118m, according to 1983 figures from the English Tourist Board and the Association of District Councils, the last year such figures were published. That sum looks reasonably healthy but it masks an unpleasant fact. The county has been slow to hitch its star to the expansion of urban tourism.

Of that overall spend figure, £45.5m was in the city of Manchester, and attributed largely to businessmen. The next district in the county league table was Stockport at £11.5m; again largely business "tourism."

Leisure tourism is still in its infancy but the North West Tourist Board is convinced that Greater Manchester has a real future in this industry.

Tourism

NICK GARNETT

Part of it might lie in the strength of the conurbation's centre with its clublife, soccer teams, restaurants, busy Chinese quarter, good class hotels and theatres providing an evening base from which to explore the surrounding countryside. The Lake District is one-and-a-half hours away by coach.

Some of the conurbations "fixed assets" are slowly being developed. The industrial and air and space museums in the Castlefield "urban heritage" area of Manchester are fine examples of their type. The newly-revived Wigan Pier will undoubtedly attract a steady stream of visitors and a small heritage centre is being created from an old mill at the Portland basin on the Huddersfield narrow canal in Tameside.

There are also a range of long-established visitor centres like the Parklands and houses of Dunham Massey, Lyme Park and Tatton, Toad Lane in Rochdale, where one of the first two co-operatives was founded and scores of industrial museums.

Yet development has been slow and the abolition of the Greater Manchester Council might further restrict county-wide initiatives.

The North-West Tourist Board housed in The Last Drop mock Tudor village near Bolton is keen to see much more farm accommodation on the conurbation's hillside slopes. This would allow it to exploit the Saddleworth group of villages.

The board is helping a number of districts with tourist development plans. A tourist association is expected to be formed shortly in Rochdale where the Hollingworth Lake country park might be more usefully promoted.

The county council has identified 20 sites for potential development and has been seeking the interest of the business community through tourism workshops. The airport, trying to tie itself in more closely to the tourist industry plans to have a tourist information centre for the North-West next year.

East-west road improvements

Transport

LES KNOWLES

GREATER MANCHESTER has an impressive motorway system, with the M6 running north-south along its western boundary, the trans-Pennine M62 linking the county to the east coast, and the M61, M63 and M56 linking Manchester to these two principal routes.

Yet the system is still incomplete. It needs an eastern section to complete the Manchester outer ring road, linking the M62 and M63. Mrs Linda Chalker, Transport Minister, says this is the priority road task in the North-west.

It came a step nearer when the M63 was extended from Cheadle to Portwood, east of Stockport, in 1982.

Next year work will begin on the penultimate phase, five miles of the M63/M66 between Portwood and Denton, costing an estimated £57m. This will relieve congestion on roads through Bredbury, Woodley and Reddish. At Brinnington, where the new section becomes the M66, it will be linked to the A6(M) Stockport by-pass, a 5½-mile stretch from Hazel Grove reducing congestion along the A6.

The by-pass will cost an estimated £51m and has been included in the programme for 1987-89.

The 10-mile final section of the M66, completing the outer ring road, will run from Denton to the existing M66 at Middleton, close to the junction with the M62. It will cost about £150m and is also included in the 1987-89 programme.

In addition to easing movement round the main conurbation, this final link will give large numbers of people direct access to the motorway system and benefit local industry. Interchanges are proposed at Denton, Audenshaw, Hollinwood, Chadderton, Alkrington and Middleton.

Enthusiasts had asked road designers to provide a navigable crossing of the disused Rochdale Canal et Chadderton, avoiding a further obstacle to its restoration. But it was decided that, in view of the obstructions already existing elsewhere along the canal, the extra £2m cost could not be justified.

Road widening is already under way along the M63 and on the M62 a climbing lane for heavy traffic will be provided at Littleborough, near Rochdale, on Windy Hill at a cost of £3.4m sometime after April 1989. This should improve traffic conditions and encourage lorry drivers to use the M62 to cross the Pennines.

The Department of Transport wants design-and-build tender offers aiming to keep down costs by encouraging keener competition.

In the same long-term programme is 9 miles linking Bolton to the M6 and bypassing Westhoughton, Hindley and Wigan, at an estimated cost of £32m.

Greater Manchester's railway system suffers from the outstanding deficiency that there is no north-south route across the city centre, a legacy of Victorian building by independent companies.

In 1973 the old transport authority obtained powers for a tunnel providing a north-south route between Piccadilly and Victoria stations, but successive governments have refused to fund the scheme. In 1978 a cheaper surface-level link between Salford and Deansgate stations was proposed but this was overtaken in 1981 by electrification plans including the Preston-Bolton-Manchester line. NO 16—8/8½.

Work on a £20m link to connect this line to the electrified routes through Piccadilly Station, through central Salford and a new railway station should start in 1988.

Connecting Piccadilly to the main Glasgow-London line, will increase inter-city traffic and improve Manchester's position as a business centre. Stockport and Bolton will benefit from an increased range of inter-city destinations, while local passengers will be able to travel to north and south of Manchester without crossing the city to change trains.

The other big rail development is the 600-yard track at Hazel Grove under construction linking the Midland railway and the Buxton line to allow services from Hull and Sheffield to go via Stockport.

Greater Manchester Council has also drawn up plans for a £90m light rapid transport (LRT) surface system. This 60-mile network would use five existing lines and a disused one, running on-street in the city centre. It would link the centre with Altrincham, Marple, Romiley, Glossop, Rochdale, Oldham, Bury and Didsbury.

Its future now lies in the hands of a new passenger transport authority which must shape policies within the limits of rate-capping.

The rail link to Manchester Airport proposed for the mid-1990s would bring a substantial increase in both business and holiday rail traffic, especially as the airport expects by that tima to have doubled its passenger total of 12m per year.

British Rail is preparing studies of the link, which may be a loop from the Styal line, costing £40m. A cheaper alternative is a single spur using double-ended trains and costing an estimated £15m.

INTERNATIONAL APPOINTMENTS

Surprise moves at US pipeline company

BY WILLIAM HALL IN NEW YORK

Mr Sam Segnar, the chairman and chief executive of HNG/INTERNORTH, who masterminded the $2.5bn acquisition of Internorth last July, creating the biggest pipeline group in the US, has resigned in a surprise boardroom reshuffle.

Mr Segnar, 58, has been replaced by Mr Ken Lay, 43, former chief executive of Internorth and president of the new group. He is regarded as one of the brightest of the young executives now emerging at the top of the US pipeline industry. Mr Segnar had intended to hand over as chief executive in January 1987 and Mr Lay had already been named as his successor.

However, Mr Segnar's decision to take early retirement and sever his connections with the group caught Wall Street by surprise, especially since the group had held a major analysts meeting in New York recently and had given no indication of any management dissension.

Mr Segnar, who hopes to start another career, said that he had planned to give up his job once the merger between the two companies had been sufficiently digested. He felt that the process had progressed more rapidly than he had foreseen and so was handing over to Mr Lay. "With the restructuring of the industry taking place at such a rapid pace, I felt it was appropriate that the new management team be put in place now with responsibility and authority to manage changes," said Mr Segnar.

Chief technical officer for ITT

Dr William B. Smith has been appointed to the newly-created position of chief technical officer for ITT CORPORATION. Dr Smith succeeds Dr Steward S. Flashcen, senior vice president and general technical director, who is retiring. As chief technical officer, Dr Smith will be responsible for the establishment of product-based strategic technologies as well as evaluation of existing and developing research.

He will also be responsible for the direction of the corporation's long range technology efforts, as well as overseeing various co-ordinating activities among ITT units. This includes direction of all technical aspects of development activities related to ITT's System 12 digital telecommunications equipment.

Dr Smith will head the merged activities of the ITT headquarters corporate and ITT Europe technical departments, including the advanced technology centre in Brussels. Prior to his new assignment, Dr Smith was vice president—ITT as well as general technical director—ITT Europe where he was responsible for System 12 development and ITT's European-based research and development programmes which represent a US$500m annual commitment.

Promotions at Volksbank

By John Wicks, Zurich

Dr Ernst Brugger, former Swiss Minister for Economic Affairs, is next March to retire as chairman of SWISS VOLKSBANK Berne. Subject to the approval of the 1986 annual meeting, he will be succeeded by Dr Rainer Weibel, who is currently the bank's vice-chairman, as well as chairman and managing director of Keramik Holding, Laufen. At the same time, Mr Bernard Schneider, managing director of Ateliers de Constructions Metalliques et Mecaniques Stephan, Fribourg, will be nominated to fill the vacant position of vice-chairman.

Management changes at Cement-Roadstone

A top level management re-organisation is being made by CEMENT-ROADSTONE HOLDINGS. Mr A. D. Barry is appointed to the new position of chief operating officer (Europe). He will report to the chief executive and have overall responsibility for the operations of all CRH interests in Ireland, the UK, Holland and for future developments in the entire European area. Mr Barry is currently chief operating officer (Ireland).

Mr D. F. Quirke, managing director of Irish Cement, is appointed to the new position of managing director (Republic of Ireland), CRH group companies. Mr B. Hill becomes managing director (European mainland), CRH group companies. He will continue to operate from Van Neerbos headquarters in Holland. Mr J. J. Elliott, financial director of Irish Cement, succeeds Mr Quirke as managing director. All appointments become effective on January 1.

Top Swedish forestry post at MODO

Mr Bernt Loef has been appointed president and chief executive officer of MO OCH DOMSJOE (MODO), a Swedish forestry group. He will succeed Mr Bjoern Sprangare, who is joining insurance company Trygg Hansa as president.

Mr Loef has been president of Soedra Skogsaegarna, a co-operatively owned forestry group, since 1983. Earlier, he worked at MODO for 10 years and was president of the company's fine paper division.

Chairman of United Artists

Mr Jerry Weintraub, a veteran Hollywood producer and music promoter, was named chairman and chief executive officer of UNITED ARTISTS CORP, MGM-UA Entertainment Co unit that is scheduled to become an independent company next month. Mr Weintraub, 48, succeeds Mr Frank Rothman, who resigned as chairman and chief executive officer of the subsidiary. Mr Rothman, 57, said he expects also to resign as chairman and chief executive officer of MGM-UA after that company is acquired by Turner Broadcasting System Inc. Turner Broadcasting has agreed to purchase MGM-UA for about US$1.5bn and resell the United Artists unit for about US$485m to investor Mr Kirk Kerkorian in a transaction that is expected to close next month. Mr Kerkorian currently owns about 50.1 per cent of MGM-UA.

*

At AMER GROUP, Helsinki, the president and chief executive officer, Mr Heikki O. Salonen, has been appointed chairman of the group from April 1 1986. Mr Leif Ekstrom, who has been appointed president of the group as from April 1, will join the company on February 17.

Mr Ekstrom is executive vice president of Rauma Repola Oy, responsible for the forestry industry businesses.

New president for Esselte

Mr Bengt Stranberg, president and chief executive officer of ESSELTE BUSINESS SYSTEMS will, at the beginning of 1986, become 60 years of age and has decided to resign from his executive position on January 1. Mr Strandberg will remain on the board and continue to serve on the executive committee.

Mr Hans Fristedt has been appointed to succeed Mr Strandberg as president and chief executive officer. Mr Fristedt, 43, is at present executive vice president and, since 1979, president of the company's North American office supplies operations. Prior to that Mr Fristedt was chief financial officer of Esselte AB, the major shareholder of Esselte Business Systems.

MOVES IN BRIEF

*

Mr Charles E. Stott, Jr has been elected a vice president of AMAX INC. He is president of the alloy division of AMAX Inc with responsibility for Molybdenum, nickel, tungsten, Western Canadian Mines and the Nevada Sleeper Gold Mine operations. Mr Stott was previously a vice president of Climax Molybdenum Co and general manager at the Climax Mine since January 1983.

*

SCHERING-PLOUGH CORP has appointed Mr Richard J. Kogan its president and chief operating officer from January 1. He will have responsibility for pharmaceutical, and consumer operations, pharmaceutical research and human resources functions. Mr Kogan was executive vice president pharmaceutical operations, in charge of world wide pharmaceutical businesses. Mr Harold R. Hiser Jr has become executive vice president finance and Mr Donald R. Conklin group vice president pharmaceutical operations. Mr Hiser was senior vice president finance and Mr Conklin was president of Schering US.

*

ALLEGHENY INTERNATIONAL, vice chairman and chief administrative officer, Mr Clayton A. Sweeney will resign early next year "to make a career change." Mr Sweeney, who joined the company in 1978, was considered the heir apparent to chairman and chief executive officer, Mr Robert J. Buckley, who is scheduled to retire in 1989.

*

REPUBLICBANK HOUSTON has elected Mr Pat D. McCarty as senior vice president, Houston banking group.

F.T. CROSSWORD PUZZLE No. 5,876

ACROSS

1 Express despair about the French transport in winter (6)
4 It's most likely for the youngster left inside (8)
10 Disconcerted if a priest drinks (9)
11 She tends to rush back—and there's some point to that (5)
12 Many have very fine plumage (4)
13 Not an account for travelling expenses! (4, 2, 4)
15 Growing grain is tricky (7)
16 Tax being cut (6)
19 The appearance of coppers in a group (6)
21 Shore's the main finance company (3-4)
23 Managed to study, and afterwards did some fishing (10)
25 Trade distribution (4)
27 A woman from a South American country (5)
28 Signal to bring in a social worker (9)
29 Sees changes in time in the North-eost (8)
30 The female's content about nolhing on this (6)

DOWN

1 Flag, as usual (8)
2 Small white flower highly regarded in Europe (9)
3 Look pleased when the drink's about right (4)
5 To tackle the problem yet again required determination (7)
6 Helpful maybe if nice able characters (10)
7 Polish uprising followed by well-qualified man in this country (5)
8 The figure one's repeatedly given (6)
9 Remaining magnanimous about 24 down (6)
14 Instruments for dealing with orange-pips (4-6)
17 Old fellow causing deadlock (9)
18 Replacing lost knee bones (8)
20 Bound to admit everything agreed (7)
21 Tired general captured by scout (6)
22 Stress it's the electricity money (6)
24 The sound one is to be used (5)
26 Language that's a bit over-sensational (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	111.3	117.7	−0.2	10.19
High Inc Equity	77.2	82.1	+0.1	6.02
Worldwide Bond	155.3	166.4	−0.2	5.82
Capital Growth				
American Growth	323.1	342.5	+1.3	2.82
Asian Pacific	46.8	50.0	−0.2	2.47
Assets & Emgs. Tt.	53.7	57.5	+0.2	2.00
Capital Reserve	60.4	60.7	—	—
Commodity & Eng.	67.2	72.2	−0.1	1.81
European Capital	58.5	62.2	−0.5	2.41
General	121.1	129.5	+0.3	3.28
Japan	155.9	165.4	−0.1	—
UK Growth Acc Units	108.9	117.2	−0.5	—
UK Growth Dist	76.1	81.0	−0.5	1.88
U.S. Emerging Co's	50.5	54.0	+0.3	0.47
Equitas Prog.	170.5	182.3	+0.8	3.95

Aitken Hume
30 City Road, London EC1Y 2AY 01-628 6626

	Bid Price	Offer Price	+ or −	Yield Gross
American Tech Fd	99.5	106.4	+0.4	—
Pacific Fd	117.7	125.9	−0.2	0.20
Secured Income Fd	145.8	156.0	+0.5	5.50
Special Sits	167.0	178.7	−2.5	1.56
Energy Fd	27.7	29.6	+0.4	0.60
American Majors	59.7	63.8	+0.4	1.56
Small Co's Fd	31.9	34.1	—	1.97
Jap. Technology	61.1	65.3	+0.3	0.10
International Income	50.5	54.0	—	7.00
Exempt	457.3	489.0	—	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 610366 & 28291

Balanced Trusts

[illegible]

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

	Bid Price	Offer Price	+ or −	Yield Gross
B.S. Fund	50.1	53.6	—	4.33
B.S. Accum	82.6	88.4	—	4.34
Financial	107.6	115.0	—	2.65
German	25.2	26.9	—	2.00
Growth Accum	153.9	165.5	—	—
Growth Income	99.9	107.5	—	1.96
High Income	53.2	57.2	—	7.34
Income	61.2	65.9	—	5.8
North American	49.5	52.9	—	1.30
Orient	50.6	54.2	—	0.22
Recovery	30.1	32.4	—	3.30
Technology	100.5	107.3	—	0.76

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

	Bid Price	Offer Price	+ or −	Yield Gross
General Inc Nov 14	174.5	185.6	—	4.20
Accum Units Nov 14	274.3	288.4	—	4.20
Income Nov 13	79.5	83.7	—	5.70
(Accum Units) Nov 13	136.6	143.7	—	5.70
International Nov 12	100.9	105.3	—	2.70
(Accum Units) Nov 12	123.5	130.0	—	2.90
Smaller Co's Nov 15	861.8	920.1	−4.6	2.70
(Accum Units) Nov 15	903.2	965.3	−4.8	2.70

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

	Bid Price	Offer Price	+ or −	Yield Gross
CS Japan Fund	46.2	49.2	+0.5	0.44
CS Portfolio Inc. Fd.	57.0	60.7	+0.1	3.29

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts P Bar 51122

	Bid Price	Offer Price	+ or −	Yield Gross
Can. Gen. Dist.	96.1	101.2	−0.4	3.25
Do. Gen. Accum	148.8	154.7	−0.5	3.25
Do. Income Dist.	66.5	70.0	—	6.31
Do. Inc. Accum.	132.9	139.9	+0.1	6.31
Gilt & Fxd. Int. Trust	55.7	57.4	—	—

Cannon Fund Managers Ltd (z)
1 Olympic Way, Wembley, HA9 0NB 01-902 8876

	Bid Price	Offer Price	+ or −	Yield Gross
Growth	236.3	251.4	−0.1	3.71
Income	271.8	289.2	−0.3	5.18
Far East	124.1	132.0	−1.2	0.74
North American	116.2	123.6	+0.4	1.41

Capel (James) Mngt. Ltd
100 Old Broad St, EC2N 1BQ 01-588 6010

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	97.9	104.3	-1.1	1.40
Income & Growth	43.9	46.8xd		3.00
Special Situations	55.0	59.4	+0.9	1.50
American Growth	26.7	28.4	+0.2	1.80
Japan Growth	34.4	36.6xd	+0.1	—
European Growth	42.2	45.1	-0.6	2.80
UK Growth	42.7	45.6		0.50
Pacific Growth	32.6	34.8	-0.2	2.20
High Income	28.9	30.9	+0.3	7.40
Practical Income Units	44.1	47.0	—	2.70
Practical Accum. Units	79.3	84.4	—	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	68.1	72.4	+0.1	3.40
Accum Units	100.6	107.0	+0.1	3.40
Pearl Inc.	96.2	102.3xd	+0.1	4.89
Pearl Unit Tst.	101.9	108.4	+0.2	3.88
(Accum. Units)	172.2	183.2	+0.4	3.88

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

Growth	204.7	219.7	+0.3	1.55
Income	149.8	160.4xd	+0.1	5.38
Worldwide Recovery	115.6	124.1	+0.1	2.22
American Growth	57.2	61.4	+0.8	1.11
Intl. Emerging Cos.	61.0	65.5	+0.1	0.76
Far East Growth Fd.	51.7	55.5	-0.2	1.10

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Int	—	50.0	—	—
Prolific Far East	111.5	118.4	—	0.18
Prolific Extra Inc	67.6	71.7	+0.3	5.58
Prolific Convert & Gilt	84.0	89.1xd	-0.1	7.03
Prolific High Inc	142.2	150.8xd	+0.2	3.00
Prolific Intl	87.4	93.0xd	+0.4	1.74
Prolific N. Amer.	115.7	123.1xd	+0.5	2.43
Prolific Spec. Sits.	158.3	167.9	-0.6	1.44
Prolific Technology	97.6	103.8	-0.1	0.64

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	55.0	58.3xd	+1.3	—
Japan Acc.	55.2	58.5	+1.4	—
Worldwide Inc.	52.7	55.8	-0.4	2.22
Worldwide Acc.	53.2	56.4	-0.3	2.22
European Tst Inc	61.2	64.8xd	-1.0	1.18
European Tst Acc.	61.4	65.0	-1.0	1.18
North American Inc.	48.9	51.8	+0.4	2.25
North American Acc.		—	—	—
UK Equity Inc.	54.9	58.1	—	3.64
UK Equity Acc.		—	—	—

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Equity Tst.	343.5	365.4xd	+0.1	3.33
Holborn European Trust	55.1	58.6		1.07
Holborn Gilt Tst.	155.9	163.1	-0.4	8.10
Holborn High Inc	57.1	60.7		6.82
Holborn Intl Growth	68.9	73.3	+0.2	0.72
Holborn Japanese Trust	53.4	56.8	+0.2	0.06
Holborn N. Amer. Trust	52.3	55.6	+0.3	2.20
Holborn Spec Sits	50.0			2.50
Holborn UK Growth	68.1	72.4	-0.3	2.95

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	344.7	366.8	+1.3	3.66
Quadrant Income	194.0	206.4	+1.0	5.15
Quadrant Intl. Fund	307.7	323.9		1.49
Quadrant Spec. Sits.	210.1	223.6	+1.7	2.57

Reed Stenhouse Inv Services Ltd
145 Borough High St, London SE1 1NV 01-628 6011

Wellington Inc	54.9	58.4xd	—	6.00
Wellington Growth	112.8	120.0xd	—	2.00

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 22271

British Life	138.6	149.1	-0.2	4.00
Reliance Unit Tst (Inc)	89.4	95.5	-0.2	3.47
Reliance Ut Tst (Acc)	117.3	125.3	-0.3	3.47

Ridgefield Management Ltd
35 Fountain St, Manchester M2 2AF 061-236 5685

Income UT	100.2	107.2	-0.3	6.16
International UT	211.0	225.7	+0.7	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4 01-280 5456

NC America (Inc)	231.2	243.3	+0.6	1.38
NC America (Acc)	248.7	261.7	+0.7	1.18

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	234.3	247.9	—	3.87
Equity Acc.*	278.2	294.3	—	3.87
Fixed Int. Dist.†	120.1	124.4	—	10.87
Fixed Int. Acc.†	169.5	175.6	—	10.87

*Prices on Nov 13. Next dealing Dec 11
†Prices on Nov 6. Next dealing Dec 4

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	95.6	101.7	+0.6	1.36
Do. Accum.	99.1	105.5	+0.7	1.36
TSB Extra Income	89.9	95.7	+0.1	5.92
Do. Accum.	103.4	110.1	+0.1	5.92
TSB General	129.9	138.1	+0.1	3.17
Do. Accum.	210.5	223.9	+0.3	3.17
TSB Gilt & Fxd Int.	46.3	48.5	-0.5	9.22
Do. Accum.	58.3	60.8	-0.1	9.22
TSB Income	179.0	190.5	—	4.68
Do. Accum.	270.1	287.4	—	4.68
TSB Pacific	107.9	114.8	-0.2	0.62
Do. Accum.	110.6	117.7	-0.2	0.62
TSB International	239.4	254.7xd	-0.3	2.01
Do. Accum.	293.8	312.6	-0.4	2.01
TSB Natural Resources	42.3	45.1xd	—	2.05
Do. Accum.	43.2	46.0	—	2.05
TSB Spcd. Opps.	49.2	52.4	-0.1	2.19
Do. Accum.	53.5	57.0	-0.1	2.19

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Small Co's Fund	66.4	70.6xd	-1.4	0.20

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	66.5	[illegible]	[illegible]	0.4
Australia	30.2	[illegible]	[illegible]	0.10
Commodity	79.5	[illegible]	[illegible]	2.72
Energy	37.9	[illegible]	[illegible]	2.53
Equity	108.8	[illegible]	[illegible]	3.20
European Spec. Sits.	64.8	[illegible]	[illegible]	0.64
Extra Income	93.6	[illegible]	[illegible]	7.21
Financial	221.5	[illegible]	[illegible]	2.15
Gilt Income	98.0	[illegible]	[illegible]	8.73
Gold Income	51.4	[illegible]	[illegible]	2.27
Gold Acc.	93.5	[illegible]	[illegible]	2.27
Income	67.0	[illegible]	[illegible]	5.72
Japan	50.1	[illegible]	[illegible]	0.10
Malaysia & Singapore	22.6	[illegible]	[illegible]	1.41
Pacific Income	65.0	[illegible]	[illegible]	0.10
Pacific Re Inv	79.7	[illegible]	[illegible]	0.10
Preference Share	16.4	[illegible]	[illegible]	9.88
Special Sits.	78.5	[illegible]	[illegible]	0.09
Technology	39.9	[illegible]	[illegible]	0.10
UK Capital	53.4	[illegible]	[illegible]	2.12
World Income Fund	47.3	[illegible]	[illegible]	6.53
Worldwide Capital	116.8	[illegible]	[illegible]	2.00
Equity Exempt Acc 13	166.5	[illegible]	[illegible]	2.16
Equity Ex Acc Nov 12	1,224.9	[illegible]	[illegible]	2.16

Touche, Remnant Unit Trust Mngt. Ltd
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250

TR American Growth	28.3	30.5	+0.2	1.0
TR General Growth	44.9	48.3		3.00
TR Global Tech.	79.2	91.5xd	+0.2	0.1
TR Income Growth	49.9	53.7	+0.1	5.00
TR Income Monthly	41.6	44.1	+0.1	7.17
TR Japan Growth	24.3	25.9	+0.1	0.30
TR Overseas Growth	33.1	35.4xd	+0.1	1.63
TR Smaller Cos.	47.2	50.3	-0.1	2.09
TR Special Ops	50.3	53.8	+0.3	1.92

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-628 8011

TUUT Nov 1	143.5	151.1xd	—	3.64

Transatlantic and Gen. Secs. (c) (y)
91-99 New London Rd, Chelmsford 0245-51651

Colmeco Nov 13	378.6	396.8	+3.2	4.21
(Accum. Units)	617.3	645.5	+5.3	4.21
Fielding Fd Nov 14	209.3	220.4	—	3.55
(Accum. Units)	229.2	241.3	—	3.55
Fielding Inc Nov 14	145.6	153.3	—	3.41
Fidng AM&Gen Nov 14	201.1	211.7	—	1.62
(Accum. Units)	226.1	258.0	—	1.62
S&W American Nov 13	131.6	138.2	—	1.94
S&W Smlr Secs Nov 13	101.9	107.3	—	0.86

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc.	210.0	[illegible]	—	—
EquityAcc.	541.2	[illegible]	—	—
PropertyAcc	307.2	[illegible]	—	—
Far East Acc.	104.7	[illegible]	—	—
Managed Cap.	280.2	[illegible]	—	—
Managed Acc.	444.6	[illegible]	—	—
O'seas Earnings Acc.	354.6	[illegible]	—	—
Gilt EdgedAcc.	243.7	[illegible]	—	—
American Equity Acc.	307.5	[illegible]	—	—
American Man.Acc.	151.1	[illegible]	—	—
American Prop Acc.	121.1	[illegible]	—	—
Pen.F.I.Dep.Cap.	230.7	[illegible]	—	—
Pen.F.I.Dep.Acc.	348.6	[illegible]	—	—
Pen. Prop. Cap.	572.5	[illegible]	—	—
Pen. Prop. Acc.	621.9	[illegible]	—	—
Pen. Man. Cap.	556.4	[illegible]	—	—
Pen. Man. Acc.	927.8	[illegible]	—	—
Pen.Gilt Edg.Cap.	251.8	[illegible]	—	—
Pen. Gilt Edg. Acc.	343.2	[illegible]	—	—
Pen. Eq. Cap.	877.7	[illegible]	—	—
Pen. Eq. Acc.	1109.3	[illegible]	—	—
Pen. Am. Eq Cap.	117.7	[illegible]	—	—
Pen. Am. Eq Acc.	125.4	[illegible]	—	—
Pen. Far East Cap.	117.8	[illegible]	—	—
Pen. Far East Acc.	125.4	[illegible]	—	—
Pen. B.S. Cap.	241.8	[illegible]	—	—
Pen. B.S. Acc.	365.7	[illegible]	—	—
Pen. D.A.F. Cap.	194.1	[illegible]	—	—
Pen. D.A.F. Acc.	254.4	[illegible]	—	—
Pen. Mortgage Cap.	108.9	[illegible]	—	—
Pen. Mortgage Acc.	116.1	[illegible]	—	—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc.	106.8	112.5	—	—
Equity F4 Cap.	100.5	105.8	—	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	303.2	[illegible]	[illegible]	—
Equity Accum.	358.4	[illegible]	[illegible]	—
Do. Initial	323.7	[illegible]	[illegible]	—
Gilt-edged Accum.	189.8	[illegible]	[illegible]	—
Do. Initial	172.2	[illegible]	[illegible]	—
International Acc.	208.2	[illegible]	[illegible]	—
Do. Initial	188.7	[illegible]	[illegible]	—

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds

Managed Fund	498.0	524.2	—	—
Equity Fund	572.7	602.8	—	—
International Fund	307.3	297.3	—	—
Fixed Interest Fund	166.7	175.4	—	—
Property Fund	120.2	126.5	—	—
Index Linked Fund	108.7	114.4	—	—
Cash Deposit Fund	122.6	126.9	—	—
PIP Fund		1,561.2	—	—

Individual Pension Funds

Personal Pen. Managed	298.7	314.4	—	—
Safeguard Managd Pen	298.7	314.4	—	—

Group Pension Funds

Group Mixed Pension		794.7	—	—
Equity Pension		1,292.1	—	—
International Pension		244.8	—	—
Fixed Interest Pension		632.0	—	—
Property Pension		470.7	—	—
Index Linked Pension		139.3	—	—
Cash Deposit Pension		161.3	—	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc.	257.6	271.2	+0.8	—
Property Acc.	244.8	257.7	+4.9	—
Int Acc.	170.7	179.7	-5.4	—
Managed Acc.	219.4	231.2	-1.8	—
Spec Sits Acc.	187.8	197.7	+0.8	—
Investment Tst Acc.	109.3	115.3	+4.2	—
Pen Int Acc.	180.2	190.8	-5.4	—
Pen Prop Acc.	313.7	330.3	+4.7	—
Pens Equity Acc.	388.7	409.2	+4.5	—
Pen Mngd Acc.	243.7	256.6	-1.6	—
Pens F & C Man Acc.	106.2	111.8	+1.3	—
Pens Int Trust Acc.	128.7	135.5	+1.6	—

Prices for other funds available on 01-377 8682

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

♦Equity Fd Nov 13	200.5	211.5	—	—
Fixed Int Acc 13	252.5	361.0	—	—
Man Growth Nov 13	426.0	448.5	—	—
Money Fd Nov 13	133.0	140.5	—	—
Cap Fd Oct 15		304.0	—	—
G.&S. Spec. Fd Oct 15		129.5	—	—
Far Eastrn Eqty Nov 13	118.0	124.5	—	—
N. Amer. Eqty Nov 13	107.0	113.0	—	—

INSURANCE, OVERSEAS & MONEY FUNDS

Australian Gen Mngt Ltd
40 Athol Street, Douglas, IoM 0624 20845

Aust Gen Fund	46.05	48.79	—	—

Next dealing date: November 18

BIA Bond Investments AG
10 Baarerstrasse CH6301, Zug, Switzerland

Bond Sfd October 30	Sf10,925	11,500	—	—

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011

BNP Intercurrency Fund Ltd

US Dollar		$10.18	—	—
Sterling		£10.26	—	—
DMarks		DM20.44	—	—

BNP Intercounty Fund Ltd

North American	$10.05	10.49	—	—
Far East	$12.41	10.85	—	—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liquibaer J. Baer $Fd	$1.359	1.360	—	—
S-Baer, J Baer $Fd	$1.036	1.041	—	—
DM-Baer, J Baer DMFd	DM1.021	1.028	—	—

*Plus charge

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm.	$5.85	7.24	—	—
Pac. Basin Fund	$34.45	36.70	—	—

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Adviser)
300 Silom Road, Bangkok, Thailand

NAV Nov13 BAHT 263,553.29 (US$10,009.54)

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

Wldinvest Inc	$146.46	147.20	—	7.15

Valued weekly on Wednesdays

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey 0534 73741

Unicorn Trust	44.4	46.3	—	11.30
Uni-American Gwth Tst	$16.95	17.94	—	1.30
Unibond Trust	$92.81	95.37	—	4.93
£Stg Multicurcy. Fd		£11.26	—	10.39
US$ Multicurcy. Fd		$21.68	—	4.77
DM Multicurcy. Fd		DM41.81	—	2.92
Yen Multicurcy. Fd		Y3,156	—	5.26

EBC Trust Company (Jersey) Ltd
1-3 Seale St, St Helier, Jersey 0534 36331

International Income Fund

US$ Dep Short A		$1.5043	−0.0001	—
Do. Dist		$1.0062	−0.0001	—
Med.Cur.Sh't term B		$1.2821	−0.0015	—
Do. Dist		$0.9546	−0.0011	—
Eurobd.Long Term		$28.86	—	10.80

European Banking Traded Currency Fund*

Income	$10.46	10.794	−0.023	8.26
Capital	$11.96	12.339	−0.023	8.26

*Offer price includes 3% prelim. charge

European Banking Currency Income Fund*

Income	$10.02	10.5510	−0.0005	—

*Offer price includes 5% prelim. charge

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738

E.A. Far East	$11.20	11.80	—	—

Next dealing Nov 22

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 76007

External Fund	$21.39	21.60	—	—
Bond & Cash Fd	$10.37	10.44	—	4.05
Cash Fund		£21.16	—	—

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman, BWI

Gen Ermitage		$16.98	—	—
Cayman Cash Fd		$11.45	—	—

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0778

Sterling Eurobond Fd		109.7	—	—
Intnl Eurobond Fd		109.8	—	—

S.G. Europe Obligations SA
9 Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury House, London Wall EC2M 5TA Tel: 01-920 0776 Telex 887281

Europe-Obligations		$53.85	−0.05	3.02

Eurotrax Investments Ltd
1 Athol Street, Douglas, Isle of Man
UK Agents FIS St Albans 0727 41122

...

World Fund SA
2 Boulevard Royal, Luxembourg

World Fund NAV		$13.49	+0.01	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		$23.88	−0.08	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech		$11.30	+0.02	—
Dynamic Gwth Fd		$10.52	—	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.02	10.53	—	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit		94.4	26.15	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.20	8.38	12.27	6mth
7-day Fund	11.49	8.59	12.60	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	10.85	8.11	11.93	6-Mth
7-day Fund	11.00	8.22	12.00	6-Mth
Dollar	7.62	—	—	1-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.25	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.11	Qtr
Mth. Inc. Chq.	11.000	8.22	12.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
StRCA	11.90	8.66	12.78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.30	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.00	8.22	12.20	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth

NOTES

... designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. § Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS
3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	35	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	26
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	10
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	[illegible]
Lloyds Bank	35	Lonrho	[illegible]
Lucas Inds	38	Rio T Zinc	[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page.

OFFSHORE AND OVERSEAS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Nov.	Macirllan (P & W) 20p	44	30.9	11.7	2.3	3.5	9.1
Oct.	Mar	Magnolia Group	85	16.9	2.6	5.0	4.4	10.3
—		Mainmet Hldgs. 10p	55	—	—	—	—	89.8
	April	Man. Ship Can. £1	474	25.2	5.5	3.5	1.7	24.9
Oct	May	Marley	111	2.9	3.75	2.2	4.8	13.4
Jan	Oct	Marling Ind. 10p	92	29.7	d1.5	5.1	2.3	11.7
Dec	June	Marshall L'ey. 'A'	76	30.9	12.0	4.9	4.5	5.5
Jan.	July	Marshall's Universal	70	28.10	12.0	1.4	4.1	22.2
June	Dec	Do. 7½pcCnRedPf £1	89	1.7	7½%	—	12.0	—
—		Matthesons 7¼%	£110	30.6	07¼%	2.3	17.2	—
—		Maxiprint 1p	19	—	—	—	—	—
Jan.	June	Metal Box £1	550	17.6	17.25	3.1	4.5	8.3
Nov.	June	Metal Closures	128	16.9	6.7	2.0	0.1	7.4
—		Metal Sciences 2½p	8	—	n—	—	—	—
July	Jan	Midland Marts	77	1.7	4.0	2.1	7.5	9.1
Jan.	May	Mitchell Cotts	75	25.3	4.25	2.0	8.4	(7.3)
Jan.	July	Morgan Crucible	203xd	11.11	18.0	1.6	5.6	14.1
	May	Morris (W) F.A. 20p	26	—	—	—	—	—
Jan.	Aug.	Moss (Robt.) 10p	110	3.6	g0.5	♦	2.7	♦
	July	Myson Grp 10p	65	13.5	13.0	2.5	3.7	12.9
Nov	June	N M W Computers	280	14.10	g2.5	3.4	5.6	12.2
Mar.	Sept.	Nash Inds.	32	14.1	†h4.8	2.1	2.4	21.5
Oct.	April	Neil & Spencer 10p	19	3.81	‡2.5	1.5	‡	7.4
Jan	July	Newman Inds 10p	32	14.10	†	—	—	5.7
April	Oct	Norton	46xd	11.11	20.3	—	1.9	15.1
Jan.	Aug	Norcros	208	15.7	†1.17	♦	3.0	♦
Oct.	April	Nu-Swift 5p	50	14.10	8.6	2.2	5.9	10.4
Feb.	Aug.	Oakwood Grp.	102	15.7	13.0	1.9	8.6	8.1
Dec	July	Office & Elect.	212	28.10	†d4.5	1.4	6.3	15.0
October		Oldacre 20p	88	12.8	†7.5	2.6	5.1	10.9
—		Optometrics $0.01	48		4.0	2.6	6.5	7.8
May	Nov	Oriflame £1	445	30.9	ud02c	—	3.9	—
Jan	June	Ownstone 12½p	6	3.6	†23.4	1.8	5.3	10.5
May	Nov.	Oznlid 9pc Cm 87-92	£205	15.4	83.23c	1.9	10.5	3.6
December		PCT Grp 10p	100	1.7	Q9%	—	14.5	—
April		PLM 'B' Sk 25	950	3.4	3.2	1.2	6.8	24.6
	June	PSM Intl	120xd	11.11	Q21.6%	3.6	4.9	41.1
—		Pacer Systems $0.01	153	—	†p5.25	2.5	6.2	8.2

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Central TV N/V 50p	212	30.9	10.5	2.5	7.1	8.8
		Chrysalis	232	28.10	5.6	2.6	5.4	15.0
	October	Entertain Prod 5p	10	16.9	bd2.25	2.5	32.1	1.8
Feb.	June	Fairline Boats 10p	77	17.6	12.63	2.6	4.9	10.9
Apr.	Oct.	First Leisure £1	373	16.9	†6.5	2.8	2.5	11.4
—		GRA Group 5p	68	—	—	—	—	90.8
Jan	June	Grampian TV A 10p	38	13.5	†h1.67	♦	7.9	♦
May	Oct.	HTV Non/Vtg.	172	14.10	7.7	2.9	6.4	7.6
May	Oct.	Horizon	95	2.9	†4.4	3.6	6.6	4.2
Dec	June	Insight	158	16.9	†12.5	6.5	2.3	9.0
Jan	Aug.	Intl Leisure 10p	100	29.7	4.8	3.1	6.9	5.5
Nov	June	Juliana's Hldgs 2p	165	14.10	†2.0	1.8	2.4	17.3
Jan	April	LWT	273	15.4	14.4	♦	7.8	♦
—		Leisure Inv 10p	33	—	n—	—	—	♦
Jan	Jul	Leisuretime Int 10p	54	12.8	12.1	5.9	5.6	5.8
		Lewmar	105	—	u2.63	3.6	3.6	13.0
14.2		Media Tech Int 20p	168	16.9	g2.58	5.4	2.3	13.0
Apr.	Dec.	Medminster 10p	155	11.3	5.35	2.0	5.0	14.1
Oct	May	Miss World 10p	220	2.9	3.6	4.1	2.3	15.0
	May	Nationwide Leisure	72	16.9	t3.75	2.5	7.4	6.4
—		Mimdo Int 20c	31½	—	—	—	—	—
July		Owners Abroad	22½	29.4	1.0	2.2	6.3	10.0
—		Photax (Lon.)	38	4.82	—	—	—	—
April		Piccadilly Radio NV 5p	20	12.8	1.87	1.1	13.4	9.9
	December	Pineapple Dnc St 10p	44	24.12	d1.5	1.2	4.9	23.7
Sept.	Apr.	Pleasurama 5p	348	2.9	†h4.6	3.7	1.9	20.2
Sept.	Mar.	Do. 7pcCvCmRedPf	161	12.8	7%	—	6.2	—
May		Pres Entertain 50p	87	14.10	N2.0	2.1	3.3	20.6
	Feb-July	Radio City 'B' NV	20	10.12	‡5.6	0.9	‡	4.0
Jan	July	Radio Clyde N/V	40	3.6	3.25	2.0	11.6	5.9
—		Riley Leisure 10p	44	10.84	‡0.7	—	‡	—
Apr.	Nov.	Saga Hols. 20p	192	12.8	14.0	2.5	3.0	20.5
Apr	Nov	Samuelson Grp 20p	275	14.10	1.8	6.0	0.9	20.8
Jan	July	Saugers Photo 10p	39	28.10	2.0	1.9	7.3	10.2
July		Scarro 50p	140xd	11.11	g3.68	2.6	3.7	11.6
Dec	May	Scot. TV 'A' 10p	180	28.10	18.8	2.8	7.0	7.4
		SeaCo Inc $0.125	272	1.84	—	—	—	—

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

OIL AND GAS

Australians

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 24 (International Edition Page 24)

CONSTRUCTION CONTRACTS

£7m orders for Warings in southern England

WARINGS (CONTRACTORS), Portsmouth, has won awards throughout southern England amounting in value to £7.5m. The company maintains a heavy involvement in hotel construction with two further awards; work has started on a new hotel at Abingdon for Coldwell, which will comprise 64 bedrooms over two floors using prefabricated units, brick and tile cladding with a slate roof, joining an octagonal central facilities block.

Work will shortly commence on a five storey extension at Gatwick Post House Hotel for Trust Houses Forte valued at £1.8m, which will provide 70 bedrooms, meeting room and restaurant extensions to the public rooms block and alterations to the reception area and car parks.

Industrial and commercial awards include a £1.5m warehouse in Portsmouth for Nurdin & Peacock, alterations and mezzanine floors to existing premises at Havant for IBM (UK), valued at £0.75m, and a depot extension at Chichester for Southern Gas.

In the design and build field a £0.7m contract has been secured for the design and construction of a complete vehicle servicing centre at Fareham for Spartruks, together with an office extension for Southern Gas at its headquarters in Portsmouth. Warings has also won a number of major road contracts in both west Sussex and Hampshire.

Housing scheme in Liberia

COSTRUZIONI METALLICHE FINSIDER, a unit of Italy's state-owned Italimpianti construction company, has received a contract worth L50bn (£19.8m) to build single-family housing in Liberia. CMF is to build some 500 housing units at West Matadi, a residential area of Liberia's capital Monrovia. CMF has also signed a letter of intent under which it will build additional housing in Monrovia's New Georgia zone.

Shepherd Hill wins range of civils work

SHEPHARD HILL has been awarded five contracts totalling £3.6m. In south Wales the NCB Opencast Executive has placed an order worth £726,000 for the recovery by washing methods of 69,000 tonnes of clean coal from a rejects tip at Gwaun-Cae-Gurwen near Ammanford. The work is expected to take 12 months. A start will be made soon at Bridgend on Phase 3 of the River Ogmore flood prevention scheme. This £828,000 project is expected to take 43 weeks and is being undertaken for the south western division of the Welsh Water Authority. It comprises the construction of reinforced concrete and sheet piled walls in addition to earthworks to form flood banks. Part of Shephard Hill's fleet of excavation plant will be employed in Kent for the next three years removing overburden from a Northfleet quarry for Blue Circle Industries under a contract worth £1.94m. In Derbyshire, the county council has entrusted Shephard Hill with two contracts for renewing the waterproofing of two bridge decks. Work on these is being carried out simultaneously at a cost of £102,000. One is located in Long Eaton and the other near Sandiacre.

Morgan Grenfell offices at Finsbury Circus

Morgan Grenfell & Co has awarded a £4m management contract to NORWEST HOLST for completion works at 20 Finsbury Circus, EC2. The works, including the installation of special services, will provide offices for Morgan Grenfell's new security dealing operations. This contract follows the successful reconstruction of 20 Finsbury Circus by Norwest Holst under an £8.2m contract awarded by the Norwich Union Insurance Group.

The property behind the listed Portland stone facade has been completely demolished and rebuilt in what has been the largest facade retention scheme in Britain. Norwest began work on the site in January 1984. The completion works will begin in January 1986 and are expected to take around six months to complete. Morgan Grenfell expect to move into the new offices in July 1986.

Laing builds magistrates courts

JOHN LAING CONSTRUCTION has won contracts totalling more than £1.75m. Work has started on the demolition of a warehouse to make way for magistrates courts and a probation office in Catherine St, Whitehaven. Included in the £980,000 contract are drainage external works and a single-storey secure corridor link with a new police headquarters. Work starts shortly on two modernisation contracts awarded by the City of Carlisle worth a combined total of £805,000. Under these contracts 75 houses in the Raffles district of Carlisle, and 32 in Currock will be upgraded.

*

AMEC PROJECTS has been appointed construction manager for a new £7m data-processing centre on the ICI office and laboratory complex at Runcorn Heath, Cheshire. AMEC will be responsible for managing and supervising the construction, plant/services installation, and commissioning of two single-storey buildings—a computer hall and an energy centre, together totalling 3,785 sq m in floor area. The project is scheduled for completion and hand-over to ICI in January 1987.

Edwards takes over Chivers housing jobs

Contracts totalling £3.25m have been secured by N. H. EDWARDS & PARTNERS. Two of the contracts involve the take-over of contracts from W. E. Chivers (now in receivership) for Rushmoor Borough Council at Farnborough. Valued at £2.3m, they are for the construction of 82 houses at the Prospect Estate, Farnborough and the building of three houses and 16 flats at Lynchford Road, Farnborough. Two contracts have been received from the Property Services Agency. The larger is for a major refurbishment of parts of the depot at Bramley Camp in north Hampshire. H. N. Edwards & Partners is also constructing a control and welfare building at Church Crookham, Hampshire.

Grays Inn developments

NORWEST HOLST CONSTRUCTION has begun work on the £2.3m New Raymond Building at Grays Inn, London. The project is a steel-framed, brick-clad building of five storeys plus basement, to provide offices and education accommodation, including a 243 sq metres lecture hall to seat 360 persons. Foundations are reinforced insitu concrete strips and pads, with underpinning to the adjoining building.

Upper floors are composite metal deck and lightweight concrete. External walls will be of London stock bricks, with a lead covered mansard roof. This is the first new building at Grays Inn since the completion of the School of Law in 1970. It adjoins the existing Raymond Buildings and the facade accurately reproduces the traditional architecture. Completion is expected in April 1987.

Variety of projects for Wimpey Construction

WIMPEY CONSTRUCTION (UK) has won contracts worth £5.65m. In Devon the company has been awarded a £1.43m contract by Co-operative Retail Services to build the Leo Supermarket (Co-op), at Wanford, Exeter. The supermarket building will have an area of 2,400 sq metres, and the surrounding car park of 5,000 sq metres, will accommodate 196 cars. The work is due for completion in May.

A £1.37m contract has been awarded by Cardiff City Council, for an extension of 1,100 sq metres, and a detached two-storey administration block of 500 sq metres together with a 3,000 sq metres level parking area at the Cardiff bus depot in Sloper Road, Cardiff. Completion is due in August.

A £1.06m contract has been awarded by the Welsh Health Common Services Agency, to build a genetics centre at the University Hospital of Wales at Heath, Cardiff. Construction of the three-storey building, with a single-storey annexe, totalling 1,735 sq metres, and an electrical sub-station of 98 sq metres, is due for completion in October.

A £920,000 contract has been awarded by Petty and Sons to construct a press hall at its Whitehall Road premises in Leeds. Construction of the 2,415 sq metre high technology building commenced recently with Wimpey adopting a "fast track" programme to meet the stringent requirements and tight scheduling associated with this contract. The building will be secure and watertight by mid-January and ready to receive the eight-unit Webb-offset presses arriving in January. The press hall and other related works will be completed by the end of March ready for full production commencing in April, when Petty will begin printing Woman's Own magazine.

A contract worth £576,000 has been awarded by Grampian Regional Council for the construction of the Aberdeen School for the Deaf, at Linksfield Academy, Aberdeen. The building will consist of a single-storey primary block and a secondary school block with a corridor of proprietary glazing linking this block to the existing buildings. The work was due for completion in December 1986.

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

MONTREAL Portfolio

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FRANCE · GERMANY · HONG KONG · ITALY · JAPAN · NETHERLANDS · NORWAY · SINGAPORE · SOUTH AFRICA · SPAIN · SWEDEN · SWITZERLAND · WORLD

[illegible]

** Saturday November 9: Japan Nikkei c. TSE c.

Base value of all indices are 100 except [illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

GERMANY

[illegible]

NORWAY

[illegible]

SWEDEN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices November 15

[illegible]

MONTREAL

Closing prices November 15

[illegible]

Total Sales 2,152,605 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices November 15

Continued from Page 39

[illegible]

Closing prices, November 15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
43⅞	28⅞	PainWb.60		1.8	19	1083	33⅛	31⅞	31⅞	−1⅛
34⅛	25⅞	PainW pf2.25		7.4		95	30⅝	30⅛	30⅝	−⅛
39	22⅞	PalmBc.60			50	75	35¼	35½	35⅝	−¼
41	20¼	PanABk.70		1.7	8	46	u41½	41	41¼	+¼
8¼	4	PanAm				4588	8⅛	7⅞	8	−¼
4	1¾	PanA wt				304	2⅞	2¾	2¾	−⅛
31	13⅞	Pandckn.28		1.2	16	77	17⅛	16¾	16⅞	−¼
41½	32⅞	PanhEC2.30		6.2	13	1082	37¼	37	37¼	−¼
24⅝	11⅞	Pansph			16	168	24½	24⅛	24½	+⅛
8¼	3½	PantPr				3246u	8½	6	8½	+3⅛
18⅝	6½	Pardyn				1127	7¾	7¼	7¾	+¼
17⅞	11½	ParkEl .03e		.2	11	66	13¼	12¾	13	−¼
7⅛	3	ParkDrl.08		1.7		295	4⅝	4½	4¾	
38⅞	28⅞	ParkH 1.12		3.3	11	583	33½	33⅛	33½	+¼
23⅝	14⅝	ParkPn.52b		2.4	32	285	22½	22	22	−⅜
5	3	PatPtr s			2	153	4	3⅞	3⅞	
15⅞	11⅛	PayNP .64		5.5	14	301	13	12⅝	12⅞	−⅛
23⅝	12⅞	PayCsh .16		1.0	14	660	15⅝	15½	15⅝	+⅛
1¼	5-16	Pengo				119	15-32	13-32	7-16	
58⅞	44⅞	PenCen			14	418	51⅞	51½	51⅝	−⅛
53⅞	44⅝	Penney2.36		4.6	10	1264	51	50½	50⅞	
27⅞	23½	PaPL 2.56		9.4	10	840	27½	27⅛	27⅜	+⅛
40½	33	PaPL pf4.50		12.		z200	39	39	39	
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
61¼	32⅞	Zayre s .48		.8	17	180	59⅞	58¼	58	−⅝
25	16¼	ZenithE				894	55⅞	18	17⅝	17⅞
21⅞	15¾	Zero s .32		1.6	17	61	20	19¾	19¾	−⅛
41½	24¾	Zurnin 1.32		3.4	15	107	38¾	38¼	38¼	+1¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, November 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices November 15

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4225	1.4188	1.4111	1.4016	1.3858

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

LIFFE — EURODOLLAR OPTIONS $1m points of 100%

[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64th of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

EXCHANGE CROSS RATES

Nov. 15	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.423	3.730	290.5	11.38	3.060	4.135	2532.	1.958	73.26
$	0.703	1.	2.622	204.2	7.985	2.152	2.949	1773.	1.376	52.90
DM / YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr. / S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl. / Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $ / B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FOREIGN EXCHANGES

Data fail to move dollar

BY COLIN MILLHAM

Figures released last week tended to confirm the view that US economic growth has slowed, but financial markets were not sure whether this meant an early cut in the Federal Reserve's discount rate and a further weakening of the dollar.

The release of economic data was concentrated around the end of the week, but had been widely forecast to point towards disappointing economic performance, and had very little impact.

US October retail sales were forecast to fall by 2 per cent to 4 per cent, but estimates tended to move towards the top end of the range as the day for publication approached. The fall of 3.3 per cent came as little surprise, against a background of sharply depressed car sales, as low cost finance schemes finished. Excluding car sales the retail sales figure for October rose by 0.5 per cent.

If this was confusing, the figures released on Friday proved equally difficult to interpret. US industrial production in October was unchanged, against forecasts in the market of a rise in the region of 0.3 per cent. Producer prices for the same month rose by 0.9 per cent, compared with expectations of an increase of 0.4 per cent to 0.6 per cent. But September business inventories rose 0.2 per cent, after a fall of around 0.5 per cent had been predicted.

The net result was a slight strengthening of the dollar, to leave it virtually unchanged on the week against Continental currencies, but slightly weaker against sterling and the Japanese yen.

Apart from U.S. statistics there were very few other important factors during the week, and it remains to be seen how the market will react to the passing of a bill by the US Congress allowing the Government to meet its current commitments.

After Congress had raised the debt ceiling by $80bn, as a temporary measure to shore up Government finances until December 6, there was an immediate sale of $22bn in bills to prevent default. This will be followed by a refunding package totalling $22.5bn on three days beginning tomorrow, and further sales of paper during the month. The total amount of money raised before the end of November will be a very large $61bn, and this could have quite an impact on the forces trying to weaken the dollar.

The threat of central bank intervention will continue to overhang the dollar, but last week there was little evidence of dollar sales by the monetary authorities. The German Bundesbank sold $15.9m at Tuesday's Frankfurt fixing, but there appeared to be no intervention on the open market by the German central bank or the Bank of Japan during the week.

In the absence of unforeseen events the dollar seems locked in a narrow range. The central banks have achieved the goal of weakening the currency since the Group of Five meeting in late September, and may now be opting for a much slower decline. Slow US economic growth has led to speculation about a cut in the US discount rate, but the timing is the subject of intense debate.

On the other hand the programme of Treasury auctions may not only delay a lowering of US interest rates, but also increase demand for the dollar.

£ IN NEW YORK

	Nov. 15	Prev. close
£ Spot	$1.4198-1.4205	$1.4300-1.4310
1 month	0.38-0.37pm	0.39-0.38 pm
3 months	1.16-1.13pm	1.16-1.13 pm
12 months	3.57-3.57pm	3.71-3.51 pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

Nov. 15	Bank of England Index	Morgan Guaranty Change %
Sterling	79.5	−10.9
U.S. dollar	199.3	+17.5
Canadian dollar	83.1	−9.6
Austrian schilling	110.4	+5.0
Belgian franc	52.1	−9.6
Danish Kroner	81.8	−3.6
Deutsche mark	187.5	+9.7
Swiss franc	150.5	+13.4
Guilder	118.2	+3.5
French franc	68.0	−18.5
Lira	44.5	−19.9
Yen	178.7	+88.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Nov. 19	£	$
Arg'tina	1.1384-1.1407	0.8000-0.8010
Aus'alia	2.1090-2.1130	1.4830-1.4850
Brazil	12,598-12,078	8,863-8,900
Finland	7.9720-7.3335	5.6100-5.0120
Greece	217.20-281.84	102.66-100.44
H'kong	11.800-11.1825	7.8015-7.8030
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Lux'bg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N'Z'land	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sin'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

CURRENCY RATES

Nov. 15	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Nov 15: 1.48513

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Nov 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	1.4220-1.4230	0.39-0.35c pm	3.12	1.16-1.12pm	3.21
Ireland†	[illegible]	[illegible]	0.22-0.12c pm	1.72	0.75-0.50pm	6.11
Canada	[illegible]	[illegible]	0.06-0.08c dis	−0.66	0.21-0.26ds	−0.68
Nethlnd.	[illegible]	[illegible]	0.58-0.55c pm	2.30	1.65-1.63pm	2.23
Belgium	[illegible]	[illegible]	1-2½c dis	−0.40	4-6dis	−0.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.00-53.10.

POUND SPOT—FORWARD AGAINST POUND

Nov 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 75.40-75.50. Six-month forward dollar 2.13-2.08c pm, 12-month 3.76-3.60 c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4225	1.4188	1.4111	1.4016	1.3858
D-Mark	3.7300	3.7082	3.6680	3.6132	3.5162
French Franc	11.3676	11.3398	11.2954	11.2875	11.2720
Swiss Franc	3.0650	3.0445	3.0095	2.9612	2.8709
Japanese Yen	290.50	288.70	286.14	285.81	280.89

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.6039	−0.51	+0.40	±1.5425
Danish Krone	8.12857	7.98217	−1.80	−0.89	±1.6421
German D-Mark	2.23840	2.20849	−1.34	−0.43	±1.1455
French Franc	6.86402	6.73407	−1.89	−0.98	±1.3654
Dutch Guilder	2.52208	2.48808	−1.48	−0.57	±1.5162
Irish Punt	0.724578	0.713822	−1.48	−0.57	±1.6673
Italian Lira	1520.60	1490.88	−1.95	−1.72	±4.0858

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Nov. 15	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 9-9¼ per cent; three years 9¼-9½ per cent; four years 9½-10⅛ per cent; five years 10-10¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

A stirring of life in London

London's money market showed signs of life last week, after an extremely dull period when rates have been firmly locked on to the 11½ per cent clearing bank base rate. Even before the speech by Mr Nigel Lawson, Chancellor of the Exchequer, at the Mansion House last month the markets' hopes of lower base rates had faded. His speech did nothing to alter that view and pointed to a possible rise in rates if monetary conditions worsened. Last week's autumn statement from the Chancellor was in many ways optimistic, and although it has been suggested that in order to meet the Government's targets for growth and inflation next year, interest rates will have to be cut, there is no expectation that this will be sooner rather than later.

UK clearing banks base lending rate 11½ per cent since July 30

The performance of sterling is expected to provide a barometer to gauge when interest rates should move. Weakness of the dollar is providing a steady base for the pound, but sterling gives a rather fragile impression at times, and the exchange rate index, measuring the overall strength of the currency, has recently slipped below 80.

A cut in the US discount rate may give an incentive to lower London interest rates, but on Friday US rates were on an upward course after Congress agreed to temporary measures to increase the Federal debt ceiling. The Federal Reserve provided liquidity through system repurchase agreements, as conditions tightened in New York. In order to prevent a default by the Government, the US Treasury auctioned $22m in cash management bills for payment on Friday.

MONEY RATES

NEW YORK (4 pm)

Prime rate	[illegible]
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills & Bonds

One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 10	Nov. 8		Nov. 18	Nov. 8
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1505%	11.1505%
Total of applications	£451.74m	£511m.5	Average rate of discount	11.1399%	11.1398%
Total allocated	£100m	£100m	Average yield	11.45%	11.46%
Minimum accepted bid	£97.225	£97.28	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	55%	22%			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Nov. 15	change	NEW YORK	Nov. 15	change
Base rates	11½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	11⅛	+⅛	Federal funds	8⅞	+1
3mth interbank	11½	+⅛	3 Mth. Treasury Bills	7.59	+0.11
Treasury Bill Tender	11.1299	−0.0094	6 Mth. Treasury Bills	7.78	+0.09
Band 1 Bills	11⅝	Unch'd	3 Mth. C D	7.98	+0.19
Band 2 Bills	11⅝	Unch'd			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 15)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 15	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-13	11½-11⅝	11⁹⁄₁₆-11⅝	11½-11⅝	11⅜-11½	11¼-11⅜
Sterling CDs	—	—	11⁹⁄₁₆-11⅝	11½-11⅝	11¼-11⅜	11⅛-11¼
Local Authority Depos	11½-11⅝	11¼-11½	11½	11⅞	11⅞	11⅛
Local Authority Bonds	—	—	12	11⅞	11⅝	11⅝
Discount Mkt Depos.	—	11-12	11⅝	11¼	—	—
Company Depos	11⅛	11⅝-11¾	11¾	11¾	—	—
Finance Hse Depos	—	—	11⅛	11⅛	11⅛	11⅛
Treasury Bills (Buy)	—	—	11⅛	11⅛	—	—
Bank Bills (Buy)	—	—	11⅛	11⅛	10½-10⅝	—
Fine Trade Bills (Buy)	—	—	11⅛	11⅛	11⅛	—
Dollar CDs	—	—	8.0-8.1	8.0-8.1	8.0-8.1	8.9-8.5
SDR Linked Depos	—	—	7½-8⅛	7⅞-8⅛	7½-8⅛	8⅛-8¼
ECU Depos	—	—	8⅛-8¼	8¼-8⅜	8⅜-8½	8⅝-8⅞

Treasury Bills (sell): one-month 11⅛ per cent; three months 11⅝ per cent. Bank Bills (sell): one-month 11⅛ per cent; three-months 11⅛-11⅝ per cent. Treasury Bills: Average tender rate of discount 11.1299 per cent. ECGD fixed finance scheme IV reference rate: October 2 to November 5 (inclusive): 11.608 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10¼ per cent from November 12. Deposits held under Series 5 11¼ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Nov. 15	Over night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]